



THE CUT IN TAX DEDUCTIONS

What New Plan Would Mean

WHY SOVIETS ARE RUSHING A MILITARY BUILDUP IN CUBA

Exclusive Interview

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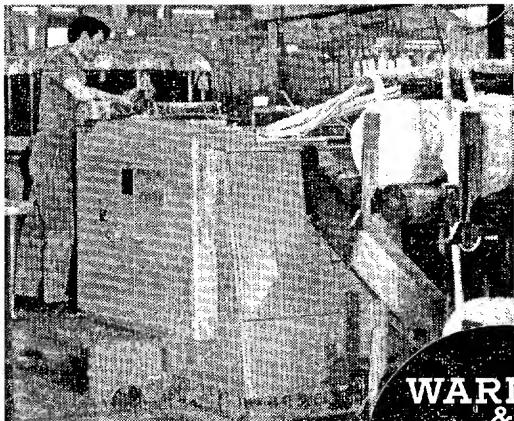
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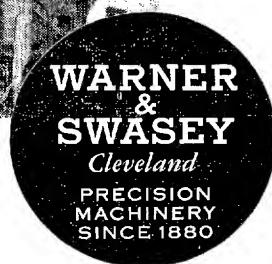
More than 1,250,000 additional people want jobs every year. In manufacturing, \$20,000 investment is needed to tool up for each new job. That \$20,000 cannot be raised out of depreciation allowances—it has to come out of profits *after taxes*.

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Yes, profits make jobs, and *more* profits are necessary for the more jobs America must supply.



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SPECIAL

Vol. LIV No. 6

February 11, 1963

If Taxes Are Cut—the Chances of a Boom

Will tax cuts, if voted by Congress, lead to fuller employment, sustained boom? Here are views of some top economists—page 32 . . . Also: Bright and dark spots in the profit picture, page 38 . . . Upturn in business—how strong? Page 36.

Interview With West German Chancellor Adenauer

Just how does West Germany feel about De Gaulle's moves to block Britain out of Europe? Germany's Adenauer gives his appraisal, in this exclusive interview: page 31.

If It's Rockefeller vs. Kennedy in 1964—

More and more, it's being taken for granted that the '64 race will be between Kennedy and Rockefeller. Here's how the political pros see that race shaping up now—page 56.

A New "Sea of Trouble" in Southeast Asia

What's involved in the latest efforts by Indonesia's Sukarno to upset the balance of power in Southeast Asia: page 46.

"Seaports" for Oklahoma

Here is the story of what one Senator—Kerr of Oklahoma—was able to do for his State, with federal billions—page 66.

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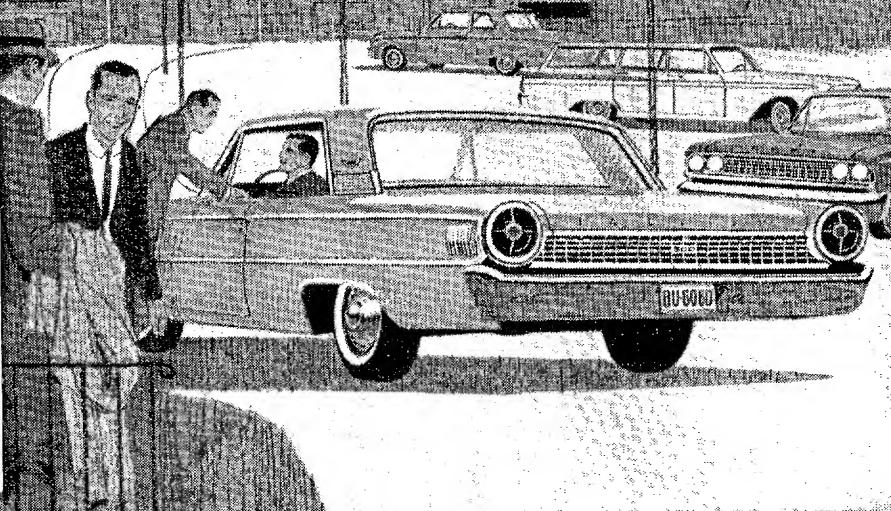
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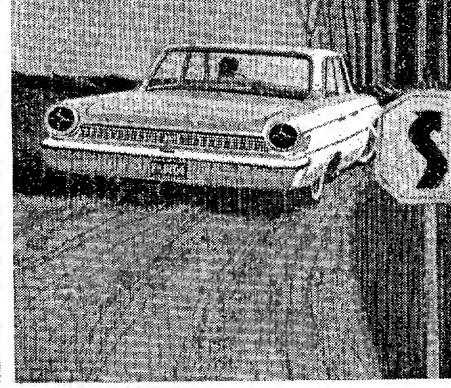
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Keith S. McHugh, Commissioner
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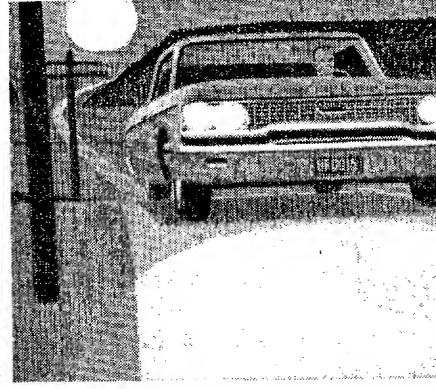
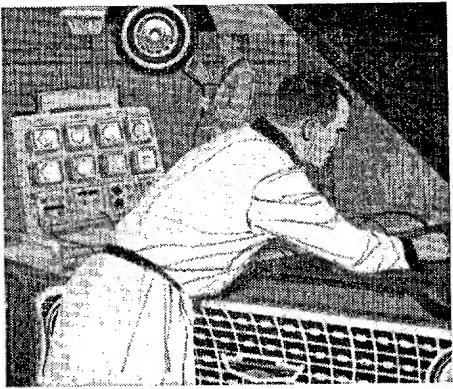
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Vol. LIV No. 6

FEBRUARY 11, 1963

U. S. News & World Report

THE COMPLETE NEWS MAGAZINE

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The investor?

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The professor?

Endowments and gifts produce a substantial share of the income supporting higher education. Dwindling profits tighten budgets on the campus.



The government employee?

Government services come chiefly from taxes on profits of corporations and earnings of individuals. As profits go down, tax revenues feel the pinch.



The consumer?

Only profitable businesses can do the research and development work which bring new products, lower prices, and better things for better living to the consumer.



The union leader?

His constituents benefit when business is profitable. There can be no collective bargaining with bankruptcy.



The plant worker?

The security of his present job and his opportunities for advancement depend on the profits that stimulate employment and expansion.



The newspaperman?

His personal welfare depends substantially on the profitability of his paper —ask any man who works on a heavy loser.



The family?

The security of the employment of its wage earners depends on the profitability of the businesses they work for.



The mayor?

He knows that civic development can be realized effectively only when local business is operating profitably.

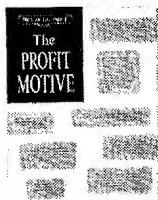


The baby?

Will its future be bright or dismal? Rising population demands vigorous economic growth, which in a free society can be powered only by profit incentives.

Who cares? All of us. Whether we recognize it or not, we are all affected, seriously and personally, by the profitability of our business enterprises. Indeed, only irresponsibility or indifference could characterize those who don't care. For quest of profit is the essence of national growth and national survival and an inseparable characteristic of the free society.

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AS U.S. FORCES ENTER THE MISSILE AGE—

The U. S. armed forces as they will look five years from now were sketched for Congress by Secretary of Defense Robert S. McNamara on January 30.

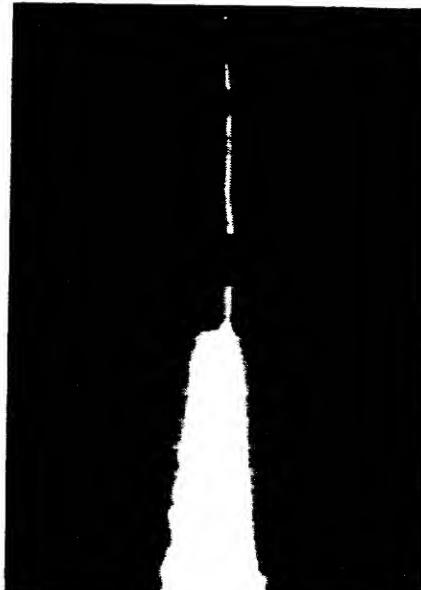
Predicted, for 1968:

Army. It will have 16 divisions as now, but will be completely reorganized into six infantry, five mechanized, three armored and two airborne divisions. A radically new air-assault division is a possibility, as is a big Army air force. Modern equipment will be stockpiled for six additional divisions in case of a hurried Reserve call-up.

Navy. Today's 836-ship fleet will shrink somewhat. No "crash" building program is foreseen. There will be one new carrier every other year. The building of nuclear-driven ships will be held to a crawl. There are to be fewer destroyers in the new Navy, more guided-missile frigates. Navy, of all services, will change the least.

Air Force. Big strategic bombers will be cut back by 50 per cent, to a force of 600 B-52 and B-58 bombers. There will be less emphasis on air power generally, except where it is needed to help support ground troops in battle.

Missile force. This gets the main emphasis, with the Air Force and Navy controlling at least 1,800 intercontinental ballistic missiles. Included will be 950 solid-fueled Minutemen in hardened silos and 656 Polaris missiles aboard 41 submarines. Also coming: a new medium-range missile to be fired from moving trucks, and a new ad-



Dept. of Defense Photo

A MINUTEMAN IS LAUNCHED
To stand guard: 950 more

vanced ICBM, details of which are secret.

The chief danger. "Our principal concern in the years ahead must be the dangers of an ICBM or submarine-launched missile attack," Mr. McNamara said, "and the main thrust of our efforts should be redirected to meet these rising threats."

"Although the Soviet Union may now have, or soon achieve, the capability to place in orbit bomb-carrying satellites, there does not appear to be any

logical reason for them to do so, since there are much more efficient ways of delivering nuclear warheads. But we cannot ignore the possibility of that kind of threat arising in the future."

WILL HOFFA'S UNION BE PUT OUT OF BUSINESS?

WASHINGTON — Teamster boss James R. Hoffa came to Washington February 1 to tell the House Labor Committee his troubles.

The Teamsters Union no longer can find insurance firms that are willing to bond its officials, Mr. Hoffa said. And, under the Landrum-Griffin Act, the union can't operate unless its officials are bonded.

If the situation doesn't change soon, Mr. Hoffa said, "There will be no strike benefits. There will be no bills paid. . . . This is just the latest attempt to put the Teamsters out of business."

Mr. Hoffa accused Attorney General Robert F. Kennedy and other officials of putting pressure on insurance firms. But the labor leader conceded he had "no personal knowledge" of any Government official approaching any bonding company.

Government officials, including the Attorney General, have maintained that the Teamsters' difficulties had nothing to do with official "pressures." Instead, one official told Congress, the trouble may stem from the fact that "a number of Teamster officials have had difficulties with the law."

(Front Page continued on page 8)

ON THE WAY: LOWER MEAT PRICES

CHICAGO — Housewives apparently can look forward to lower prices for beefsteaks and roasts at the meat counter.

For farmers, prices already have dropped. The price of choice fat steers, at the end of January, had fallen a full \$5 from the three-year high of \$32 a hundredweight in November.

Marketing experts say the price decline is likely to continue into the spring. According to the Agriculture Department, farmers have 12 per cent more cattle fattening in their feedlots than they had a year ago.

A recent spot check of meat prices in

supermarkets showed some good buys in week-end "specials."

In Chicago, one big grocery chain offered round steak reduced from 95 cents to 79 cents a pound, sirloin steak from \$1.09 to 89 cents, and porterhouse steak from \$1.39 to 98 cents.

Says an official of the chain: "If the predictions are right, not only the cattle market, but the hog market is going to be somewhat softer. At the same time, we're heading into the usual big spring supply of broilers and frying chickens. The outlook is for lower prices on most kinds of meat at the grocery store."



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U.S. ATOMIC TESTS: OFF, THEN ON AGAIN

WASHINGTON — A sequence of events affecting U.S. nuclear tests:

On January 26, President Kennedy ordered suspension of underground tests in Nevada, in the hope that this would facilitate test-ban negotiations with Russia.

On January 31, the Soviets abruptly ended the negotiations in New York. They are to be resumed at the 18-nation disarmament conference in Geneva on February 12.

On February 1, Mr. Kennedy ordered preparations for new tests.

KENNEDY'S '63 PLAN FOR THE FARMERS

WASHINGTON — The annual debate over what to do about the farm problem was touched off on January 31 when the White House sent a farm message to Congress.

President Kennedy and his Secretary of Agriculture, Orville L. Freeman, retreated from last year's requested program of compulsory controls for dairy farms and farms producing corn and other grains fed to livestock.

The Administration asked continuation of the voluntary-control plan now in effect for corn and the other feed grains and also suggested a voluntary-control plan for dairy farms. Under both plans, farmers would be paid for cutting back production.

For cotton, the President recommended a plan to lower prices and thus give relief to U.S. textile mills. Domestic mills have been paying about 8 cents a pound more for cotton than foreign mills, because sales of U.S. surplus cotton have been subsidized at a lower price in world markets.

Mr. Kennedy urged farmers to vote for a plan of tight controls over wheat, passed by Congress last year. In a referendum to be held this spring, two thirds of the wheat farmers voting must approve the plan to put it into effect.

WHERE COLLEGE STUDENTS WIELD A LOT OF POWER

WASHINGTON — "One of the greatest challenges in Latin America today," according to a report to Congress issued February 4, is how to bring the universities under control.

Some Latin-American universities

amount to "extraterritorial areas beyond control of government." In others, students "select and dismiss the university rector and individual professors." Some universities harbor "a small number of lifetime students whose chief interest is apparently subversion and agitation."

These are the findings of Representative Martha W. Griffiths (Dem.), of Michigan, who visited Central America and Mexico for the Subcommittee on Inter-American Economic Relationships.

In Panama, Representative Griffiths found, the students claim extraterritoriality and immunity from Government intervention, and this claim is respected by the National Government. In Guatemala City, when students daubed paint on monuments, the Government merely posted "too subtle" signs stating: "This is an example of university culture."

In El Salvador, a Government actually has been overthrown by demonstrating "university" students.

THE OUTLOOK NOW FOR ASIAN FLU

WASHINGTON — Asian flu has proved less menacing than predicted so far this winter.

Last autumn, a "harsh" year was anticipated by most experts. Now, they say this:

Asian-flu outbreaks first appeared in mid-January—a full month behind the anticipated schedule. By the end of January, the flu had appeared sporadically in North Carolina communities, around Baltimore, Washington, D. C., Kansas City, Kans., and in portions of Virginia.

From this pattern, experts infer that Asian flu may not be as widespread this year as was expected. However, they say, a characteristic of this disease is that it strikes quickly, especially in institutions.

The flu may strike 20 to 30 per cent of those in a school or in an office within a few days.

Advice from the experts: While it

MORE PAY FOR MILITARY? WHO WOULD GET WHAT

The pay raises that would go to officers and men of the U. S. armed forces, with typical years of service, under the plan just submitted to Congress by the Kennedy Administration:

RANK	SERVICE	PRESENT MONTHLY PAY	PROPOSED MONTHLY PAY
Recruit	0 to 3 years	\$78 to \$105	\$85 to \$110
Private	0 to 4 years	\$85.80 to \$108	\$95 to \$120
Private First Class	0 to 8 years	\$99.37 to \$141	\$115 to \$165
Corporal	0 to 14 years	\$122.30 to \$190	\$160 to \$210
Sergeant	3 to 20 years	\$180 to \$240	\$220 to \$280
Staff Sgt.	6 to 22 years	\$235 to \$290	\$270 to \$330
Sgt. First Class	12 to 26 years	\$300 to \$350	\$335 to \$400
Master Sgt.	12 to 26 years	\$330 to \$380	\$385 to \$450
Sgt. Major	14 to 26 years	\$400 to \$440	\$455 to \$510
2nd Lieut.	0 to 12 years	\$222.30 to \$365	\$250 to \$410
1st Lieut.	2 to 14 years	\$291 to \$435	\$345 to \$510
Captain	4 to 22 years	\$415 to \$535	\$490 to \$630
Major	12 to 26 years	\$550 to \$630	\$635 to \$725
Lieut. Col.	18 to 30 years	\$720 to \$775	\$805 to \$870
Colonel	18 to 30 plus	\$840 to \$985	\$925 to \$1,085
Brig. Gen.	22 to 30 plus	\$1,175	\$1,235
Maj. Gen.	22 to 30 plus	\$1,350	\$1,420
Lieut. Gen.	26 to 30 plus	\$1,500	\$1,575
General	over 30 years	\$1,700	\$1,785
Chief of Staff	over 30 years	\$1,875	\$1,970

NOTE: Pay scales above do not include "extras," such as medical care, and allowances for housing, overseas service, etc.

is rather late now to be vaccinated against flu, the elderly and the chronically ill still would be well advised to take flu shots, on the chance that their communities may be hit late in the season.

HIGHWAY SAFETY: WHAT THE RECORD SHOWS

CHICAGO—If you've been wondering whether driving is getting more hazardous than it used to be—

There were 91 million drivers in the U. S. last year, up 2 per cent from the year before.

There were 79 million vehicles on the road, up 4 per cent.

There were 767 billion miles traveled, also a 4 per cent increase.

But there were 41,000 people killed in traffic accidents—up 8 per cent from the year before, National Safety Council records showed. It was the first time highway deaths have exceeded 40,000 in a single year. The previous high was 39,969 deaths back in 1941.

Injured in highway accidents last year were 1.5 million Americans—more than the total casualties suffered in any war in U. S. history.

ONCE AGAIN, WEAPONS "MADE IN JAPAN"

TOKYO—Thirteen years after setting up its own "self-defense" Army, Japan has ordered mass production of its own weapons.

American-made carbines, rifles and machine guns are to be replaced by 1964 with Japanese-designed weapons.

Among models that are claimed to be superior to their U. S. counterparts: the model-64 rifle, a bipod-equipped, rapid-fire weapon designed by Japan's Technological Research Institute, and the model-62 machine gun, equipped with either bipod or tripod.

American officials are reported to be interested in the new weapons which are described as not only efficient, but easily handled by physically smaller Asians who have trouble with "Caucasian size" weapons.

In a related move, the first Japanese-designed ground-to-air missile will be test-launched next March on Nii-jima, an island 80 miles south of Tokyo. If tests meet expectations, the missile also will be mass-produced.

Does all this mean a break with U. S. forces and manufacturers? No. Japan's weapon designers have been instructed to follow the U. S. defense concept by emphasizing:

- Rocketry over artillery.
- Sonar and other undersea-detection devices.
- Missiles.

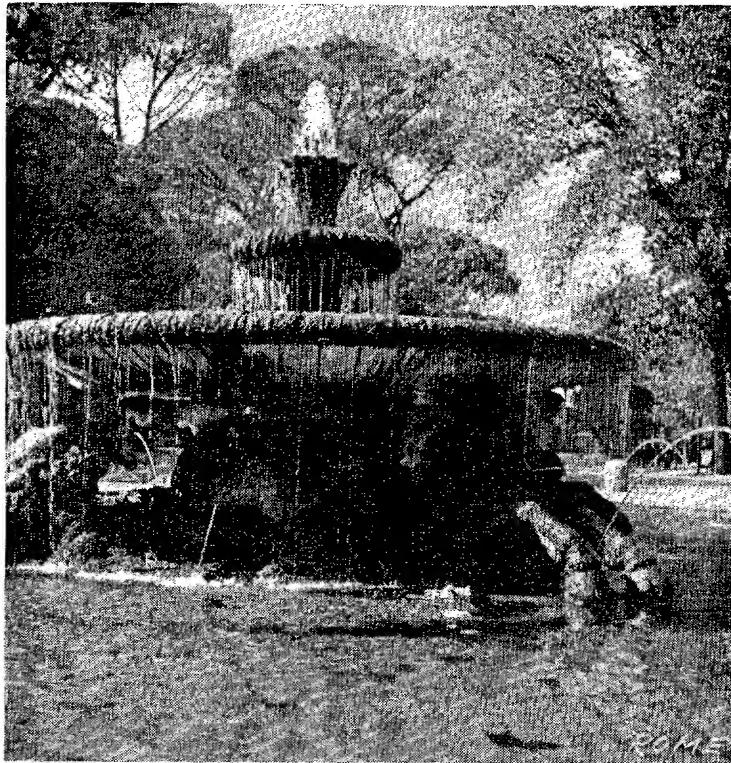
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MARCH OF THE

A CURB ON SPENDING FOR OVERSEAS JUNKETS

WASHINGTON — Regulations governing overseas trips by committees and individual members of the House of Representatives have been tightened.

Specific authorization for official trips abroad and use of counterpart funds—U.S. credits in foreign currency—to pay expenses now is limited to four committees: Foreign Affairs, Armed Services, Government Operations, and Science and Astronautics. Members of other committees must have special permission of the House for foreign travel at taxpayers' expense. Legislators on authorized trips must make a detailed accounting of money spent.

Designed to correct abuses, the curbs were recommended by the Rules Committee and approved by the House on January 31.

THE REASON FOR INDIA'S "GOLD RUSH"

NEW DELHI—Early in February, handicraft-jewelry bazaars in India's cities were as jammed as bargain basements in U.S. department stores.

The reason: New laws forbidding private holdings of gold except as jewelry were to be effective February 10. Some Indian women were turning their gold hoards into jewelry. Others were buying up all available 24-carat gold

jewelry because only 14-carat can be sold after the deadline.

The new laws are part of the Government's effort to curb smuggling and speculation of gold.

WHEN TWO AIRPLANES COLLIDED OVER TURKEY—

ANKARA Flaming wreckage rained on Ankara's business district when a Viscount airliner and a Turkish military transport plane collided in the air on February 1. At least 60 persons were killed, scores injured. Many of the casualties were on the ground. Two large buildings were set afire.

WARNING FROM WIRTZ ON LABOR DISPUTES

CHICAGO A warning from Secretary of Labor W. Willard Wirtz in a speech here on February 1:

The public's mood is such that one more major strike crisis will result in a nationwide demand for compulsory arbitration of labor disputes that threaten the national interest.

The Cabinet member expressed his own opposition to such action. But, he said: "Neither the traditional collective-bargaining procedures nor the present labor-dispute laws are working to the public's satisfaction, at least so far as major labor controversies are concerned."

SOON: COAST-TO-COAST PHONE CALL FOR \$1

Plans for a sharp slash in late-hour rates on station-to-station long distance calls were disclosed on January 29 by the Bell System telephone companies.

Under a schedule effective about April 1, the highest rate for a three-minute, station-to-station call within the continental U.S. will be \$1—if the call is placed between 9 p.m. and 4:30 a.m.

Some examples of savings: An "after 9" call—when the caller is willing to talk to anyone who answers the phone—between Washington, D.C., and Los Angeles or Seattle will cost \$1 instead of \$1.75

for the first three minutes; between New York and Dallas, 90 cents instead of \$1.40; between Boston and Miami, 80 cents instead of \$1.30.

To make up some of the lost revenue, the telephone companies plan to boost rates on person-to-person calls of up to 800 miles by 5 or 10 cents.

The rate changes must be formally approved by the Federal Communications Commission. Approval was considered certain, because the FCC had asked the companies to adopt the "after 9" cut-rate plan.

Estimated net annual saving to the public: about 30 million dollars.



Wide World Photo

Chicago School Chief Willis

EDUCATOR WITH 2 JOBS

The nation's second-highest-paid public official—Chicago school superintendent Benjamin C. Willis—drew both praise and criticism in late January.

Announcement that double shifts in Chicago schools had been ended for the first time in 100 years brought him praise from regional Parent-Teacher Associations. But the same groups sharply criticized Mr. Willis for "moonlighting."

Mr. Willis also was under fire from the Chicago Teachers Union for accepting a second job.

The 61-year-old school administrator draws \$48,500 a year as chief of Chicago public schools, and \$32,000 to direct a special survey of Massachusetts schools. He devotes week-ends and vacation time to his Massachusetts job. The combined salaries rank him higher on the pay scale than all public officials except President Kennedy.

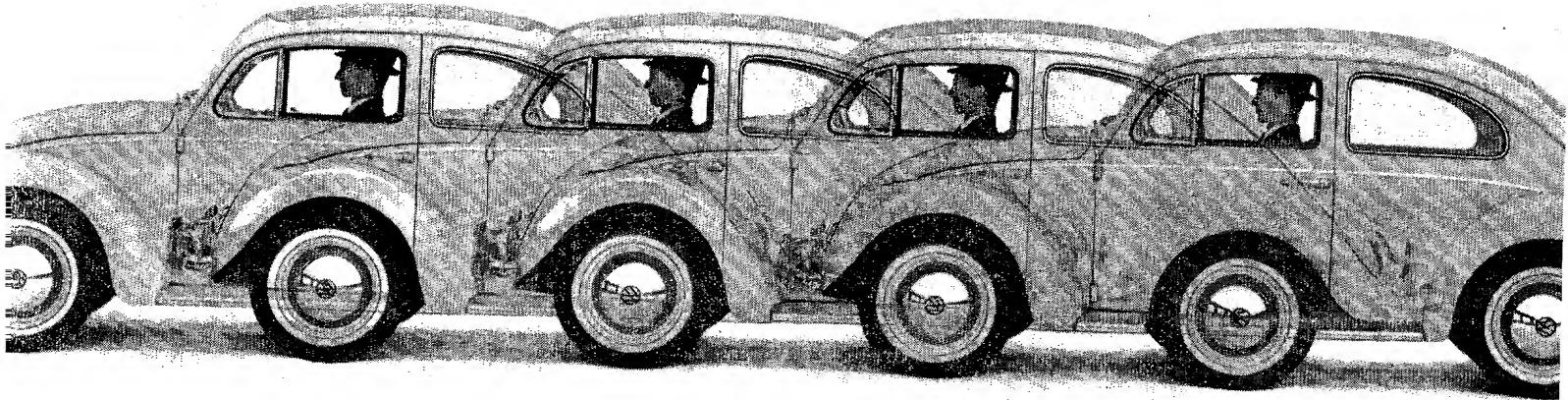
Mr. Willis has run Chicago's schools nearly 10 years. In that time, the number of students per classroom has been cut from an average of 39 to 32.5.

"LIBERALS" LOSE ON FILIBUSTER VOTE

WASHINGTON — Senate "liberals" suffered a setback in their fight to make it easier this year to end filibusters.

This came on January 31 when the Senate decided, 53 to 42, to pigeonhole a proposal that would have opened the way for action to cut off debate by majority vote rather than the two-thirds vote now required. Southern Democrats and a number of Westerners who traditionally support them teamed up against the "liberal" bloc.

(*March of News* continued on p. 12)



Why does the Volkswagen have 4 forward speeds?

The VW has 4 forward speeds because 3 wouldn't be enough and 5 would be one too many.

The 4 forward speeds let you get the most out of the engine without straining it. And without swallowing up a lot of gas. 1st gear gets you off to a running start. And 4th gear is actually overdrive; it lets the engine relax (and live longer).

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MARCH OF THE NEWS

(CONTINUED)

HOW PENTAGON WANTS TO CHANGE THE ROTC

WASHINGTON The Pentagon now proposes these changes in the Reserve Officers Training Corps program:

- Replacement of the present four-year ROTC program in colleges by an elective two-year program leading to Army Reserve commissions.
- Military scholarships for some promising students of engineering and science who agree to accept commissions and serve four years.
- An increase from the current \$27 a month in payments to advanced ROTC students.
- Abandonment of the junior ROTC in about 300 public and private high schools. These units would be converted to a "national-defense cadet corps." The Army would continue to support ROTC programs in bona fide private military schools.

CRIME RISE BLAMED ON MAIL-ORDER GUNS

WASHINGTON From testimony before a Senate subcommittee on juvenile delinquency:

- "Virtually uncontrollable" interstate traffic in mail-order firearms is contributing to a rise in juvenile crime.
- "Tens of thousands" of concealable weapons, bought by mail, are in the hands of "juvenile delinquents," ex-

convicts, aliens, narcotic addicts, mentally ill persons and adult criminals."

The testimony came from Los Angeles policemen. That city is a center of the mail-order gun business.

DEFORMED BIRTHS—REPORT FROM CANADA

OTTAWA—Use of the drug thalidomide by pregnant women has caused 41 deformed births in Canada, according to a report by the Ministry of Health to a special House of Commons committee. The report covered cases investigated up to January 29. Seventy other cases of deformities in babies are under study.

AS ATOMIC POWER IS HARNESSSED FOR PEACE

WASHINGTON—The Atomic Energy Commission reported that it is ready to prove the value of nuclear explosives as tools for peacetime progress.

Over the next four years, the AEC plans eight explosions—some in the megaton range—to demonstrate that it is practical, safe and cheap to dig canals or harbors or blast mineral wealth from the earth with nuclear devices. One project calls for a gigantic ditch—nearly half a mile long, 700 feet wide and 125 feet deep—in the Nevada desert. The plans were outlined in an AEC report to Congress.

WHEN COLOR LINES WERE ERASED . . .

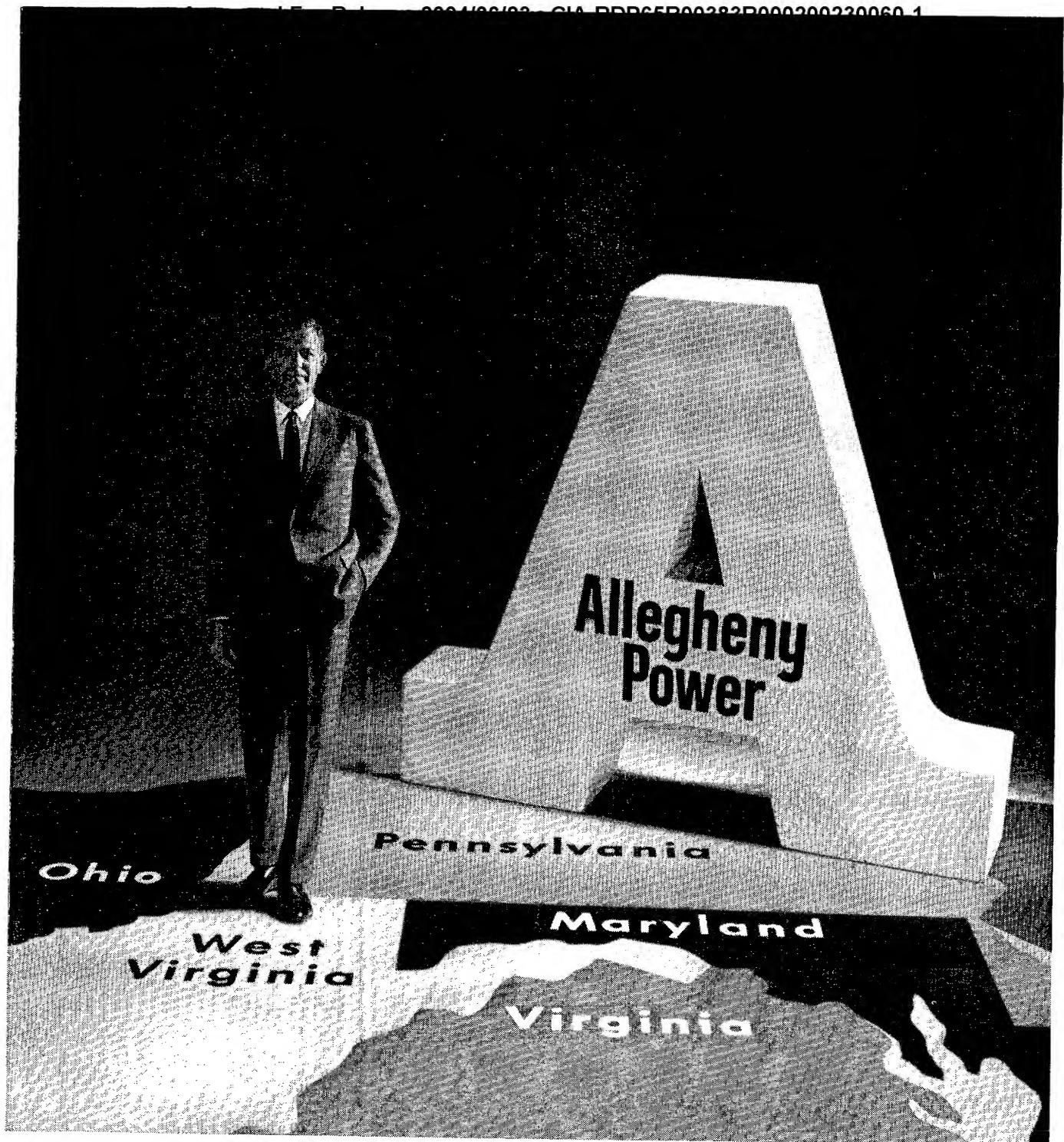


Wide World Photo

Integrated audience pays tribute to Negro singer at concert in Mississippi

In Laurel, Miss., on January 27, an audience of whites and Negroes cheered Leontyne Price, a local Negro girl who made good. Miss Price, a Metropolitan Opera star, gave a benefit concert for the Negro church where

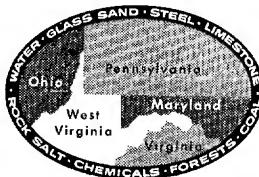
she made her first public appearance. It was one of the rare times a nonsegregated event had been held in Laurel. About 2,000 persons attended—among them the white couple who sponsored the singer's musical education.



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PEOPLE



®

OF THE WEEK

DEFICIT ADVOCATES

Economists Heller and Gordon

Lead-off men in the campaign to get the Administration's tax-cut program through Congress were two New Frontier officials who helped formulate the theory that a federal deficit now means a balanced budget later.

Walter W. Heller, Chairman of the President's Council of Economic Advisors.

Kermit Gordon, former member of the Council who took over in January as the new Director of the Budget.

As members of the Council, the two men helped write a report last year on which the Administration's tax and budget policies are based. A report on these policies appears on page 32. Mr. Heller and Mr. Gordon were first to testify when the Joint Economic Committee of Congress began a study of the tax-cut proposals.

Mr. Gordon, a 46-year-old former economics professor at Williams College, told the Committee that a balanced budget now would lead to a general economic decline, bigger deficits later.

An increase in taxes to balance the 1964 budget, he said, "would . . . depress production, employment and purchasing power. . . ." And a cut in spending, he said, would "tend to produce a sharp decline in gross national product which might even get as high as 50 or 60 billion dollars a year. . . ."

Either way, Mr. Gordon said, unemployment would increase—probably to as much as "10 per cent of the labor force."

Mr. Gordon's testimony outraged Senator Harry F. Byrd (Dem.), of Virginia, chairman of the Senate Finance Committee. He called for the removal of Mr. Gordon. "A man who thinks a balanced budget would be a catastrophe does not have the frame of mind to direct the budget of the United States Government," Senator Byrd said.

Mr. Heller said the key to faster economic growth lay in "a sustained rise in demand." The tax cuts, he said, would do this by putting 8 billion dollars per year back into the disposable income of individuals. By 1965 or 1966, he said, the increased consumer spending would add several times 8 billion to the gross national product.

Cuts in U. S. spending, however, would wipe out the effect of the tax reductions, Mr. Heller declared. "A deficit is an inevitable part of the stimulus," he said.

(*People of the Week* cont. on p. 16)



—Wide World Photo

Dean Harlan McClure of Clemson's school of architecture talks with Harvey Gantt

A NEW SEMESTER—A NEW NEGRO STUDENT

In **South Carolina**, the last holdout against court-enforced school integration, a Negro has been admitted to Clemson College. He is 20-year-old Harvey Gantt of Charleston, who won a court order for his admission.

Mr. Gantt registered on January 28. Heavy precautions had been taken by State officials against disorders and violence. But the event was accepted calmly by the students, and the State. And in the spotlight of national attention that turned on Mr. Gantt, he was revealed as a tall, serious young man, intent on getting an education.

Son of a civilian mechanic at the Charleston Navy Yard, young Gantt was

raised in a religious home. He is active in church work, as are both his parents. He graduated from high school with honors, was a star athlete, a competent musician. In two years at Iowa State University, before quitting to attempt to enter Clemson, he had a B average.

Mr. Gantt has been active in the National Association for the Advancement of Colored People, but he is not regarded as a zealot. His decision to seek admission to Clemson was a personal one.

"I am happy," he told newsmen, "to know that this is going to give other Negroes an opportunity to go to Clemson. But my main purpose here is to get an education."

In **Mississippi**, James H. Meredith decided to stick it out for another semester at the State university.

The 29-year-old crusader for civil rights is the only Negro attending a pub-

lic school for white persons in Mississippi. He was enrolled last September under court order, and to the accompaniment of rioting. For four months, U. S. marshals and soldiers have guarded him on the campus. More than 300 troops are still stationed there. Officials estimated it costs the Government \$4,500 a day to keep him in school.

Mr. Meredith, shunned by most students, harassed by some, said early in January he might quit. And there were reports that he was in scholastic trouble.

On January 30, he told a news conference he would return to "Ole Miss." "I see signs," he said, "that give me hope. . . ." Also, his grades were apparently adequate for readmission. Next day, he registered without incident.

James Meredith, shown discussing his return for another term at "Ole Miss"



PEOPLE OF THE WEEK

CONTINUED

VIETNAM VICTORY IN THREE YEARS?

Victory over the Communists in South Vietnam is in sight—but three years away—reports Adm. Harry D. Felt, commander of U. S. forces in the Pacific.

At a news conference in Washington, Admiral Felt cited favorable trends to back his prediction. Among them—

- Armed attacks by Red guerrillas have fallen from a weekly average of 118 a year ago to about 50 now. The attacks are seldom of battalion size any more.

- In recent months, Government forces have killed five Communists for every one of their own lost in combat.

- Since September, the Reds have been losing more weapons than they have captured. They now are short of

medicine and food. Communist fighters are defecting at the rate of 50 a week.

- The Diem Government now controls 51 per cent of the population, compared with no more than 30 per cent at one time. Some river routes closed for years by the Communists now are being kept open, and Vietnamese rice exports are on the rise.

The 60-year-old naval officer has commanded U. S. forces in the Pacific since 1958. He is the man in over-all charge of U. S. military efforts in Southeast Asia. There still are serious problems in Vietnam, he said. But this was the most optimistic official report from there Americans had heard in some time.



—Wide World Photo
Adm. Harry D. Felt



USN&WR Photo

The Shah of Iran

"LEGAL REVOLUTION"

Voters Support Iran's Shah

Shah Mohammed Reza Pahlevi of Iran is a new kind of royal politician. He out-promises his political opponents and beats them at the ballot box.

On January 26, peasants, workers and women turned out in droves to endorse the Shah's program of "legal revolution." The program calls for breaking up feudal estates; an end to serfdom; profit sharing by industry; a vast educational program, and new electoral laws.

Landowners, businessmen, some Moslem religious leaders, and politicians of the National Front called for a boycott of the referendum. There were some riots, some arrests. But the boycott failed. Almost 5.6 million Iranians voted for the program, fewer than 5,000 against it.

The Shah came to power in 1941, when Britain and Russia occupied Iran, forced his pro-German father to abdicate. He has survived an assassination attempt, a coup by nationalist Mohammed Mossadegh, and constant Soviet pressure.

Many of the key reforms had already been decreed, were theoretically in effect. The Shah himself had given away most of his land to peasants, endowed a foun-

dation to boost education. But real progress had been snail-slow.

The referendum clearly has given the Shah new authority. Reforms may come faster in Iran from now on.

SPLIT IN FEDERAL AGENCY

Power Commissioner Leaving

Howard Morgan has asked President Kennedy not to reappoint him to the Federal Power Commission. Reason: Mr. Morgan, a former Oregon public-utilities regulator, finds himself too often at odds with a majority of his fellow commissioners.

Mr. Morgan was named to the Commission in 1961 for a term that expires next June 22. He has frequently dissented from FPC rulings, and his opinions in those cases indicated he did not think consumers were getting enough protection from the FPC.

In his letter to the President, Mr. Morgan voiced some sharp criticism of the FPC—and regulatory agencies generally. He warned that only men of courage, character and broad vision should be named to such agencies.

"Ordinary men cannot administer those laws today in the face of pressures generated by huge industries," Mr. Morgan said. "Utility regulation ceases to be or never becomes a protection to the consuming public. Instead it can easily become a fraud upon the public and a protective shield behind which monopoly may operate to the public detriment."

FPC Chairman Joseph C. Swidler defended the Commission, said it had been "more active and worked more for the public benefit in the last year and a half . . . than any FPC in history."

BACK IN GOVERNMENT

FDR, Jr., Gets Commerce Post

Once more, a Roosevelt has been named to a sub-Cabinet post. President Kennedy picked Franklin D. Roosevelt, Jr., to be Under Secretary of Commerce, replacing Edward Gudeman, who resigned.

Both Mr. Roosevelt's father and great-uncle—Theodore Roosevelt—began their Washington careers as Assistant Secretary of the Navy.

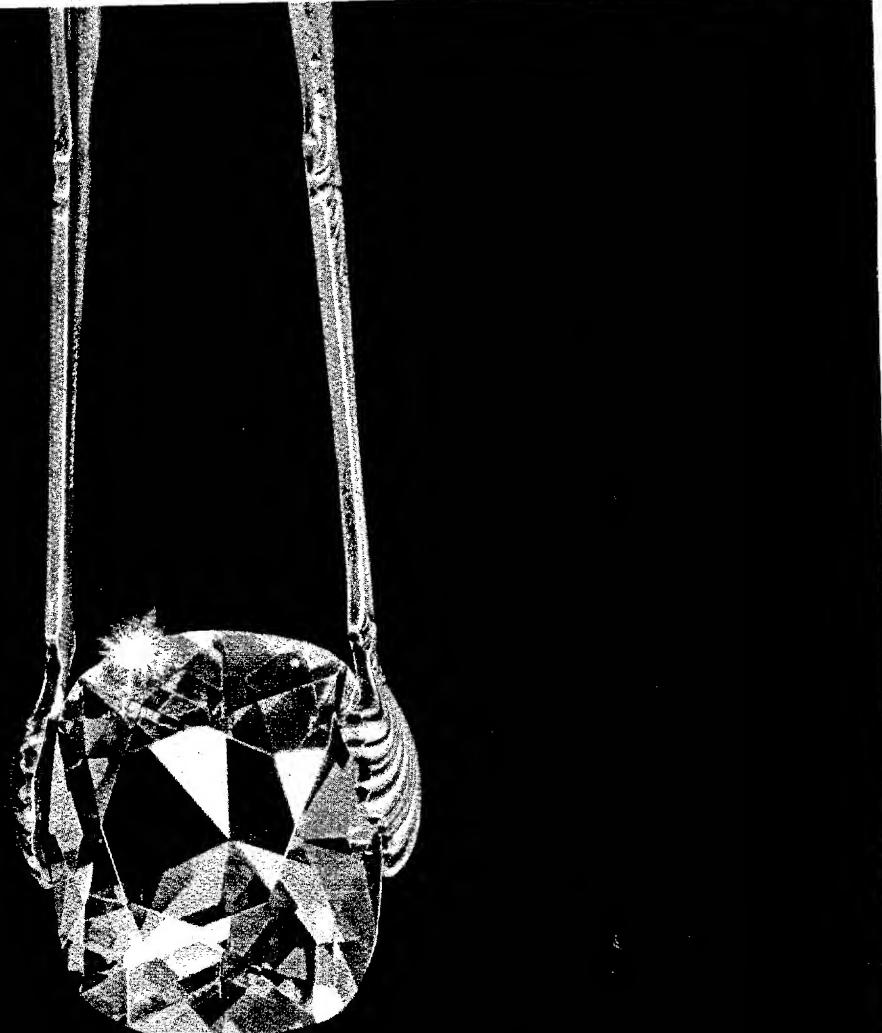
Franklin, Jr., has been active in politics. He won election to Congress from New York three times, was Democratic nominee for State attorney general in 1954. In 1960, he campaigned for Mr. Kennedy. Now 48, he has been dividing his time between a New York law practice,



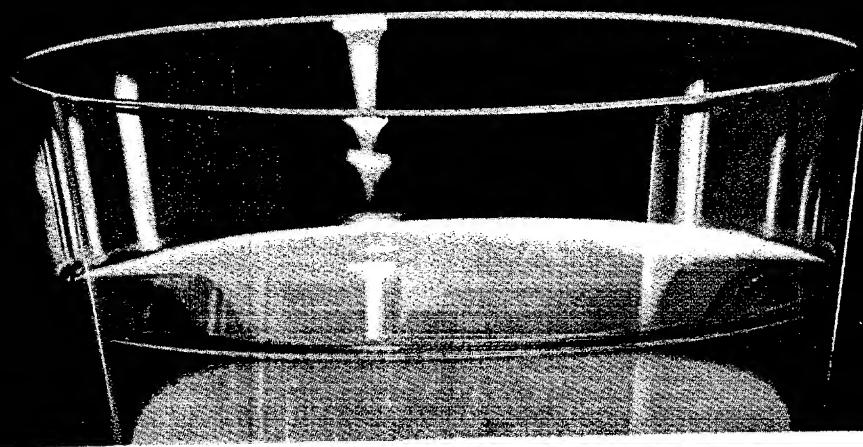
—UPI Photo
Franklin D. Roosevelt, Jr.

a Washington auto agency, and a cattle-breeding farm near Poughquag, N. Y.

Mr. Roosevelt and his three brothers were familiar Washington figures while their father was President. James, now 55, is serving his fifth term as a Representative from California. Elliott, 52, is a Miami, Fla., businessman. And John, 46, a New York investment banker, is active in Republican politics.



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PLUS & MINUS ®

BUSINESS ACTIVITY OF THE WEEK

Business activity, despite some loss of forward momentum, is still in a gentle rise. Streams of public and private demand for goods are flowing freely.

Public-construction activity is headed upward, to judge from contracts and advance planning. Retail trade is substantially ahead of a year ago, led by a vigorous gain in auto sales.

There are growing signs that the replacement demand for autos, appliances, machinery and other durable goods is providing a nucleus for a slowly rising volume of sales and output in these key industries.

Construction. Advance planning for heavy construction projects, reported by "Engineering News-Record," ran 29 per cent ahead of a year ago in the first five weeks of 1963.

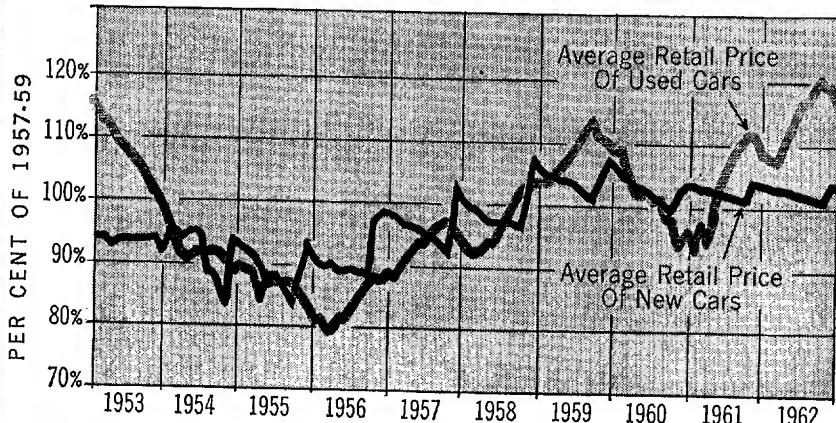
Public construction, which accounted for most of the gain in advance planning, was also strong in contract awards for December. Contracts for all types of construction, reported by F. W. Dodge Corporation, rose to a record high after seasonal allowance.

Largely reflecting the uptrend in public construction, December bookings of fabricated structural steel soared to the highest rate since January, 1956.

Machinery. Metal-cutting types of machine tools were ordered in December at the best rate in more than a year.

Retail trade. As reported by the U. S. Census Bureau, retail-store sales for the

Retail Prices of Used Autos Decline From Record High, Yet Their Gain Since 1957-59 Still Far Exceeds That of New-Car Prices



Source: Bureau of Labor Statistics

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four weeks ended January 26 ran 9 per cent above the corresponding period a year earlier.

Durable goods led with a gain of 12 per cent, to which a gain of 16 per cent for automotive sales contributed. Building materials rose 11 per cent over the previous year; furniture and appliances gained 5 per cent.

Soft goods, up 8 per cent, reflected gains of 13 per cent in general merchandise, 11 per cent in gasoline, 9 per

cent at eating and drinking places, 4 per cent in food sales.

Auto sales. Expectation of the auto industry, according to "Ward's Automotive Reports," is that dealer sales of new cars in both the first and second quarters of this year will compare favorably with sales in the same periods of 1962. This is in line with the industry's hope that total sales in 1963, including imports, will match the 7-million total of 1962.

The used-car market. A symptom of underlying strength in the market for autos, new as well as old, has been the high level of used-car prices.

Despite some decline in recent months, average retail prices of used cars that are three, four and five years of age, shown in the chart on this page, remain at a high level, both absolutely and in relation to prices of new cars.

Used-car sales have been well above a year ago. Despite the high rate of new-car sales, the volume of used cars disposed of by new-car buyers is apparently within the capacity of the market to absorb without serious price effects.

This helps the market for new cars, since a high price for used cars reduces the net cash outlay of a new-car customer who has a used car to dispose of.

Underlying conditions. The average age of all autos on the road has been increasing in recent years. The nation's stock of cars, small at the end of World War II, has been greatly enlarged by postwar output.

A heavy volume of cars was turned out
(continued on next page)

Latest Indicators of Business				
	Year Ago	Month Ago	Week Ago (Revised)	Latest Week (Preliminary)
U. S. News & World Report's				
Index of Business Activity* (1957-59=100)	115.7	110.7	112.0	110.1
Steel production	127.2	101.5	101.5	99.0
Auto production	124.2	143.1	134.9	136.7
Electric-power production	129.0	137.2	138.8	141.1
Paperboard production	120.1	122.5	121.3	121.5
Bituminous-coal production	89.0	85.7	92.5	79.7
Crude-petroleum production	105.7	105.9	104.3	103.3
Misc. freight carloadings	95.6	85.4	91.2	87.0
 Department-store sales* (1957-59=100)	 109	 120	 116	 108
Wholesale prices (1957-59=100)				
All commodities	100.9	100.6	100.5	100.4
Industrial commodities	101.0	100.7	100.6	100.6
Sensitive commodity prices (1957-59=100)	97.6	92.4	94.0	93.6
Stock prices (Standard & Poor's Index, 500 stocks)	68.17	63.10	65.62	65.85

*Seasonally adjusted.

Note: Sensitive commodity prices and stock prices are for January 30.

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PLUS & MINUS

CONTINUED

in the early postwar years, and their aging has for some time been swelling the number of cars that are approaching the end of their useful lives.

On Jan. 1, 1963, an estimated total of 24.2 million autos in use were more than 7 years old. That is up from 14 million on Jan. 1, 1956.

Over the same period, cars 6 years old and younger increased from 32.7 million to 35.1 million.

These are estimates by George P. Hitchings, formerly of the Ford Motor Company and now vice president of American Airlines, Inc.

Junked cars. Scrappage of autos during 1962 was about 5 million, a sharp gain over previous years.

What is happening in the scrappage of cars, and what may be expected in the future, can be seen by taking a look at the figures on the number of cars now surviving from the output of each year in the past.

Also useful are figures indicating the ages at which the scrappage rate rises most swiftly.

Cars produced in 1955, a record year for sales, are only now reaching an age at which the rate of scrappage can be expected to rise sharply.

Soon after the 1955 cars begin to be scrapped at a high rate, scrappage rates will begin to rise sharply on cars produced in 1956, then on cars of 1957—both years of high output.

Effects of aging. Car owners, seeing their autos grow steadily more obsolete, more in need of costly repairs, are glad enough to seek out a used car of a recent model year, to buy it and to sell the car they have.

Now, while their purchases strengthen the demand for late-model used cars, a rapid increase in the number of two-car families is restricting the supply of used cars that finds its way to market.

The outlook. So long as the U. S. is prosperous, the advancing age of the stock of used cars tends to enlarge the market for new cars.

Though most auto purchases are postponable during a business slump, the growing need for replacement of over-age cars adds an element of stability to auto sales.

Aging of the nation's large stock of durable goods is a source of hidden strength in the business situation.

See also: Trend of American Business, page 63; What U. S. Companies Are Doing Abroad, page 82; Business Around the World, page 97.

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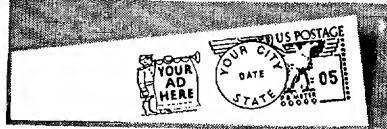
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Trouble seems to be piling on top of trouble for the White House.

Business, it's true, is good, and getting a bit better. Profits are up.

Business activity, however, is not rising as rapidly as hoped for.

Unemployment, as a result, is tending up. Businessmen still are under strong pressure to hold down on use of workers where possible.

Troubles apparently are not soon to be ended by a prosperity wave.

Tax-cut plans of the White House are deep in trouble. Tax cut alone is very popular, if big enough. Tax "reform," however, is a complicated idea and generates a good many suspicions. So any action is likely to be slow.

Taxes will be cut somewhat, in the end. Tax "reform," in any but limited scope, is almost sure to get lost along the way. It hurts big groups.

Finances of Government keep going from bad to worse. Red-ink figures in the budget are rising steadily. Debt is rising along with the red ink.

Pressures will grow to change bookkeeping methods as the easiest way to place a better appearance on the deficit and debt figures.

Now the idea for a great Atlantic community seems on or near the rocks. Common Market in Europe, even before De Gaulle blackballed Britain, had been taking on the appearance more of a closed trading area.

U.S., too, had been raising, not lowering, barriers to world trade. The "one world" idea seems to be giving way to the rising tide of nationalism.

Trade Expansion Act, sold to U.S. in 1962 as the answer to all problems, is on the side track in 1963. Tax cut now is the one-shot answer.

Dollar troubles, against that background, seem likely to reappear.

Boom in U.S. exports is a declining prospect. Dollars spent abroad, at the same time, keep exceeding dollars earned abroad. Budget deficits at home cause some questioning of the soundness of U.S. finances as well.

U.S. all the while finds itself at the mercy of foreigners who own U.S. dollars and who have claims on U.S. gold supplies.

A few figures help to show how vulnerable the dollar can be.

U.S. gold supply: 16 billions. Required gold reserve: 12 billions.

Excess above required reserve: 4 billions. Foreign claims: 21.5 billions.

Claims above free gold: 17.5 billions.

And: Germany and France alone hold 4 billions of these claims.

There's not much freedom of maneuver if somebody should become interested

(over)

Written for the issue of February 11, 1963, Volume LIV-No. 6

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in putting on pressure. Required reserves can be reduced by Congress or, in effect, can be evaded, but action of that kind raises questions.

Troubles also are building for U.S. abroad. Some examples:

Russian occupation of Cuba is being strengthened fast. Castro today is only a symbol. Russians run the country. U.S. was tricked on that one.

Vietnam war is costing U.S. lives and money, and getting no place. Laos is fast drifting into Communist hands. Sukarno, in Indonesia, built up by U.S., seems to be headed for the warpath with arms Russia sold him.

Black Africa is proving a costly mess. Alliance for Progress in this Hemisphere isn't proving the answer to much of anything.

Strikes seem more and more to irritate the public in U.S. Striking no longer pays off, but union leaders can't think of another way to show power.

Unions, closely allied with the White House, seem not so popular in the country itself. Workers themselves more and more are turning against union requirements that they belong to the union in order to hold their jobs.

It may be that union power is passing its peak. If so, political effects on the party in power can become significant in time.

Congress, heavily Democratic, still causes problems for the President.

Tax plan of the White House is just one plan in trouble. School aid, asked for on a big scale, will largely be rejected. Farm controls, as being requested, are only a shadow of those proposed and defeated in 1962.

Hospital care for retired persons will go over to 1964, an election year, when that issue might become popular with many members of Congress.

Foreign aid will be cut. Congress simply does not believe that many of the Kennedy ideas are popular with the folks back home.

What's the cause of many White House troubles? A military man, seeking the answer in the military field alone, came up with the answer that those in charge in Washington today simply do not know what they want or where they are going. That same answer could apply to a good many other fields.

There's a tendency to run off in a variety of directions all at once.

The President, through it all, is reported by opinion polls to be at the height of popularity. Republicans, only 18 months from nominating time, appear not to be scrambling for the chance to take on the President in 1964.

If people are reasonably well off, they seldom vote for change.

Cuba, quite probably, is moving back toward some kind of crisis.

White House objective is to try to play this down. Catchwords are used. It's said that no "offensive" weapons are being put into Cuba. And what are "offensive" weapons? Apparently nothing smaller than medium-range missiles.

Congress wants to investigate the 1961 invasion attempt. Here the catchword is "U.S." air cover. No reference is made to what happened to the air strikes scheduled for the little air force of the Cuban invaders.

Arms and men still are moving into Cuba from Russia. As long as this is true, the issue will remain alive and tend to grow. It cannot be wished or talked away. No U.S. President ever before permitted a hostile power to make an arms buildup in this Hemisphere, let alone next door to U.S. itself.



Have You Ever Seen a "Unit" Train Before?

Probably not. And if you have, you probably didn't recognize it, because the unit train is remarkable in concept, not in appearance.

The concept involves the use of one huge fast-moving train of one commodity moving directly from one assembly point to one customer. The key is fast turn-around... keeping the cars in constant use. The Norfolk and Western Railway has originated unit coal trains which have made successful

trial runs from southwest Virginia to New York harbor. These trains carried up to 120 cars. The N&W has demonstrated that it can make the 1,000 mile round trip in less than 48 hours, including unloading time.

The development of the unit train is making it possible for the N&W to expand its coal markets through incentive rates based upon increased volume. Still another reason why the N&W is the nation's going-est railroad.

Washington Whispers

[Items appearing on this page are being talked about in Washington or other news centers]

Cabinet's "Eight-Year Men" . . . One Answer to De Gaulle . . . Missiles to Cuba by Submarine?

Rumors persist that President Kennedy is thinking of making changes in Cabinet posts, although there is no tangible evidence pointing in that direction.

* * *

The rumor that Robert Kennedy, Attorney General and younger brother of the President, is in line to become Secretary of State apparently concerns possibilities in a second Kennedy Administration, if there is one, and not the present Administration.

* * *

Robert McNamara, Secretary of Defense, is being referred to as "one of the President's eight-year men"—a Cabinet officer held in high regard and very much attached to his job. Some other high officers are known to be interested in stepping out at the end of a first term.

* * *

Said an important Republican: "President Kennedy really has us in a bind on a tax cut. I talked to a group of bankers in California and simply could not get through to them with the idea that to cut taxes while spending kept increasing was a radical proposal that Republicans should oppose. Not one objected to the President's proposal to cut taxes. All were trying to justify in their minds acceptance of the White House proposal."

* * *

Friends of Governor Nelson Rockefeller in New York State are charging that FBI agents out of Washington are under orders to investigate the private lives of the New York Governor and his top advisers. Governor Rockefeller is the most likely Republican to be nominated for President in 1964.

This point is being made about military aid, which some "liberal" Congressmen want to reduce in favor of more economic aid: U.S., with military aid, in the Far East is supporting armies of 1.2 million men at a cost of about 3.5 billion dollars a year—or about one tenth of what it would cost to maintain similar U.S. armed forces.

* * *

In the military services, those flying dangerous missions ask why 42 Distinguished Flying Crosses—of great importance to military professionals—were awarded to airmen who flew photoreconnaissance missions over Cuba while those flying highly dangerous missions in Vietnam, under fire and nearly impossible conditions, rarely get considered for that medal. It is pointed out that President Kennedy was interested personally in Cuba.

* * *

Gen. Charles de Gaulle, French President, felt that Harold Macmillan, Britain's Prime Minister, had not "come clean" with him in a meeting in Paris prior to going to Nassau where in two days Macmillan concluded an agreement with President Kennedy involving Polaris missiles for the British. The French President feels that the British are just "stooges" for the Americans.

* * *

This is at the heart of the break between France and Britain: In his meeting with Macmillan, President de Gaulle asked the British Prime Minister to devote Britain's atomic power to defense of Europe. The Prime Minister gave no answer, nor did he mention a word about the deal he was about to conclude with President Kennedy at Nassau on Polaris mis-

siles. The French President, deeply angered by this lack of confidence, concluded that Britain was not entitled to membership in a community of European nations.

* * *

A top official of Italy expressed another view: "If Britain, Italy and Belgium, Netherlands, Luxembourg formed their own political alliance and said: 'We are just as big and tough as you—now, let's talk,' President de Gaulle would back down from his position and Britain would be taken into the Common Market in six months."

* * *

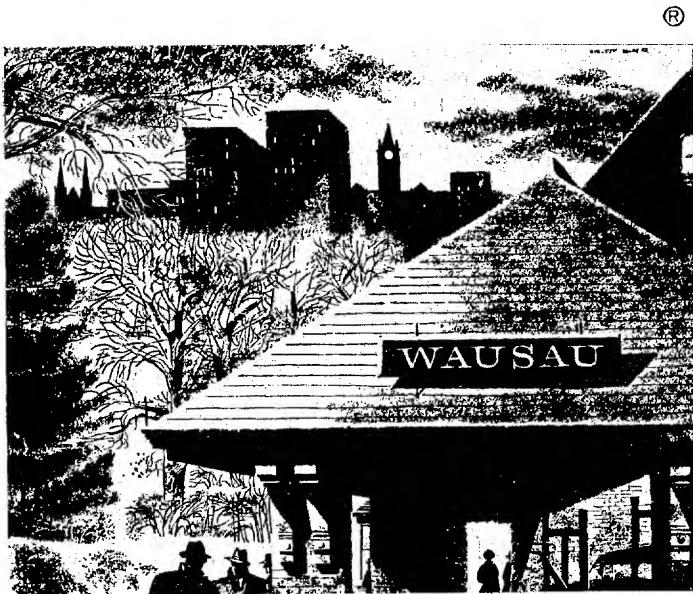
The fact that Georges Bidault, former French Premier, suddenly showed up in London didn't help at all to improve British-French relations. Bidault was a leader of an anti-De Gaulle organization whose membership included men who plotted to assassinate the French President.

* * *

This question is being raised quietly among members of Congress: Are Russian missiles being returned to Cuba secretly aboard submarines and aircraft coming nonstop from Russia? The Administration to date has not been able to give a flat "no" to the question. Russian missile-launching sites and missile crews in Cuba remain intact.

* * *

U.S. military officials are becoming increasingly concerned again about the Russian buildup of military forces in Cuba—which is gaining momentum—and wonder how long President Kennedy can wait before imposing a blockade or telling the Russians to get out of this Hemisphere once and for all.



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Back in 1874, the first train puffed its way through the Wisconsin timberlands, summoned north to Wausau by the thriving lumber industry. From then on, the depot stood as proof that this community was no longer the "faraway place," as the early Chippewas had de-

scribed it in giving Wausau its name.

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UNYIELDING DE GAULLE. With Atlantic-community concept cracked wide open, what will the European lineup be now?



—Wide World Photo

RIFT IN WEST— HOW SERIOUS

The United States—both Government and business—is having to adjust to quite a different Europe. The jolt caused by De Gaulle's rebuff of Britain has raised questions about the future of defense, trade, the whole Western Alliance.

Reported from
**PARIS, BRUSSELS, LONDON,
 BONN and WASHINGTON**

It's now official. Great Britain is being barred from membership in West Europe's Common Market.

As a result, the concept of a great Atlantic community held by the White House seems pretty well destroyed for the foreseeable future.

It all became official on January 29. General Charles de Gaulle, President of France, used his blackball against Britain. He stated long ago what he planned to do, but politicians of other countries refused to believe him.

With the action now taken, Britain will fail at this time to break into the political councils of Europe on a formal basis. American influence in Europe, by the same token, is due to decline. Americans had pinned their hopes on the British application.

Doubts now are being raised about

the longer-range future of the North Atlantic Treaty Organization, upon which West Europe's defense now rests. U. S. troops, in other words, may be nearer to coming home than many people realize, unless General de Gaulle changes his mind.

Uncertainty takes over. What you find is that the whole postwar structure of relations between Britain and the Continent and among nations in West Europe is becoming uncertain. Where it all will stabilize is not yet clear.

General de Gaulle is said to have a good deal of distrust about the motives and methods of both U. S. President John F. Kennedy and Britain's Prime Minister Harold Macmillan. De Gaulle is described as feeling that Britain, in effect, is acting as an agent of the U. S. and that Britain, in the Common Market and political councils of Europe, would try to create divisions as a means of becoming the dominant member.

The suspicion of the French President,

as it relates to the American President and the British Prime Minister, is said to run deep.

A new power to rise? De Gaulle has an idea of a "third force" in West Europe, or of "Europe for the Europeans" in contrast to the Kennedy vision of an Atlantic community. De Gaulle doubts that anything as diffuse as the British Commonwealth and the United States can be fitted snugly into a bloc with Europe.

Instead, the French leader has referred to the development of a Europe that extends "from the Atlantic to the Urals." On February 1, a trade agreement between France and Soviet Russia was announced. The timing of this announcement suggests that the French leader believes that someday Russia, too, can be brought into Europe's orbit.

U. S. military planners say that, if anything of this kind is in the wind, the United States had better find out just (continued on next page)



With Britain's Macmillan. De Gaulle closed the gate to the Common Market.

[continued from preceding page]

what may be involved and do some fast acting.

One man's will. Actually, what's happening now results from the decision, basically, of one man—President de Gaulle.

Konrad Adenauer, the German Chancellor, wishes to cement French-German relations. But the Germans cannot depend on France for their protection. That must come from the U. S.

Leaders in Germany, including Chancellor Adenauer, have sided with other members of the Common Market who favored Britain as a member. An example of the way sentiment is veering in West Europe is shown by the boycott that five of the six members of the Common Market applied to a meeting called for January 30 by De Gaulle, to consider ways to limit American investments in Europe.

The French, at this point, appear to be alone in wanting to restrict investment in West Europe by American companies. Americans, however, may find that large new investment, either in Great Britain or on the Continent, has less appeal because of the uncertainties now cropping up.

Uncertainties are turning out to be both economic and political.

Effect on business. Attempts to spur economic growth in Great Britain, for one thing, seem to be in definite trouble. Investment opportunities do not appear to be quite as bright as when it appeared that Britain would join the Common Market.

The boom on the Continent shows some signs of weakening. Officials at Common Market headquarters in Brussels make no secret of their concern over the split between France and the five other partners. They fear the Common Market may lose its forward motion.

These officials also believe that private investment, already a weak spot in European business, may weaken further.

A good many European businessmen are said to believe that the European economy already has entered a period of consolidation and stiff competition after the recent boom. They also see rising risks of overproduction. Some of these private business interests had based their investment plans on the prospect of a widened market as a result of Britain's

entry. Now that prospect has gone by the board.

De Gaulle's attitude toward America also may tend to slow European expansion by discouraging U. S. investors.

Free-trade hopes gone? President Kennedy, too, may find that his trade and tariff plans have been damaged. Under last year's Trade Expansion Act, the U. S. could negotiate free trade—or zero tariffs—on items in which the U. S. and Europe produce 80 per cent of world output. With Britain out of the Common Market, most of these products, except aircraft, fall outside the 80 per cent class.

The U. S. thus may be limited to negotiating tariff reductions on a class-by-class basis with the Common Market and Britain. Under this procedure, tariff cuts by the U. S. are limited to 50 per cent. The U. S. also faces the possibility that the sale of farm commodities to Western Europe may be strictly limited under pressure from France and De Gaulle.

Countermoves. Britain and the United States are expected to try to strengthen the North Atlantic Treaty Organization despite De Gaulle's opposition. In this they expect to find support from the five other Common Market countries—West Germany, Belgium, Luxembourg, the Netherlands and Italy—which are said to be as alarmed as Britain over development of a "third force" in Europe dominated by France.

The U. S. has proposed assigning nuclear weapons to NATO forces. De Gaulle seems to have no objection to this move, but he insists on having his own independent nuclear force as well.

British leaders also suggest an active partnership with the United States in seeking to lower trade barriers erected by the Common Market. The U. S. is expected to begin trade negotiations soon under an agreement on tariffs and trade. In these negotiations, an effort will be made to persuade Common Market countries other than France to adopt an outward-looking policy rather than a protectionist program.

New policy forthcoming? Meanwhile, President Kennedy called to Washington the U. S. ambassadors to Soviet Russia, West Germany and Great Britain. This was taken as a sign that American policies toward Europe are to be reviewed.

There is still hope in Britain that entry into the Common Market eventually will be granted. But it now seems clear that for the immediate future new approaches must be made to adjust to the situation created by Charles de Gaulle.

Interview with Germany's Adenauer, page 31. What De Gaulle sees ahead, page 55. Other related articles: pages 53, 97.



With President Kennedy. French leader's rebuff may cause reconsideration of political and economic ties.



With Khrushchev. The French President holds key to a new European power bloc.

INTERVIEW With The West German Chancellor



—Pictorial Parade Photo

ADENAUER SIZES UP DE GAULLE

How does West Germany feel about De Gaulle's moves to block Britain out of Europe? Is the U. S. role in Europe at issue in Bonn?

At BONN

In an exclusive interview on January 29—the day that a French veto blocked Britain's entry into the European Common Market—Chancellor Konrad Adenauer of Germany discussed the background of the crisis with Kurt Lachmann, member of the International Staff of "U. S. News & World Report," in Bonn.

Chancellor Adenauer had taken a stand for limited postponement of negotiations between Britain and the six Common Market nations. He explained his policy thus:

Dr. Adenauer: "Last summer I told Secretary of State Dean Rusk, when he visited me, that we wanted to enter into a closer relationship with France, and asked, 'Is that good or bad from the U. S. viewpoint?'

"Mr. Rusk replied: The Americans always will stay in a closer relationship with Britain, and it would be good if you were in a closer relationship with France.

"As the idea of concluding a treaty [of co-operation between France and West Germany] grew after De Gaulle's visit in Germany, the U. S. Embassy here was informed currently and fully. After the details had been worked out, I had proposed to President de Gaulle in mid-December that we sign the treaty in Paris during the last third of January.

"At that time, nothing was known about the statements De Gaulle would make at the press conference of January 14 [at which the French President served notice he would block British entry into the Common Market at this time]. That was mere coincidence."

Chancellor Adenauer discussed the controversy between President de Gaulle and Britain's Prime Minister Harold Macmillan over whether to accept U. S. Polaris missiles as part of a nuclear defense of Europe.

Dr. Adenauer: "I cannot understand the present great excitement. What should happen one day if a really serious crisis breaks? This is not yet a disastrous crisis. How can one say, 'You have to choose between the United States and France?' The North Atlantic Treaty Organization [NATO] and the Common Market are like very thin chinaware that must be handled with great care and not like iron pots."

From that point, the interview continued with the following questions and answers:

Q: What can be done now to restore unity in the West?

Dr. Adenauer: I have told De Gaulle that, in my opinion, the first thing to do is to gain time so that the excitement can calm down. Decisions taken in an excited mood usually are false. Thereupon De Gaulle replied, "You are completely

In this interview, Germany's Chancellor Adenauer gives his own appraisal of the political storms now buffeting the Western Alliance.

right. That is why we have made proposals at Brussels [the French proposals to postpone consideration of British entry into the Common Market] to gain time."

Q: Do you think time will remove President de Gaulle's strong position against a greater European community, against British membership and Atlantic co-operation?

Dr. Adenauer: De Gaulle is absolutely in favor of co-operation with the United States, for he is as convinced as myself that co-operation with the United States is vital to Europe and vital to the United States. De Gaulle recognizes that, just as I do.

As to Britain: Look, sometimes one has a short memory. Do you recall that Britain has twice rejected membership in the Common Market? Did that cause any great excitement? Did people cry out, "The world is going to pieces"? No. We thought then it would be better to wait a while. That should be the same now—wait and raise no hullabaloo.

Seventy per cent of the controversial issues [between Britain and the Common Market] had been settled, 30 per cent remained open for negotiation. As the French had agreed to 70 per cent, I don't recognize an intention to kill the whole thing by saying "No" to the remaining 30 per cent. If I wanted to kill it, I would start doing it with the first 70 per cent, not the last 30.

Q: Was it President de Gaulle's statement that Britain does not fit into Europe that was particularly astonishing?

Dr. Adenauer: No. He has said: Britain has chosen, Europe or Polaris. The Polaris question seems decided, but I am convinced—though I have not talked about it with De Gaulle—that one day France and the United States will come to an agreement on the Polaris matter, also. That's my opinion.

I may repeat what I have said before: America and Europe are intertwined by fate, in view of the great power of Soviet Russia.

Q: Do you see any possibility of a direct agreement between West Europe and Russia?

Dr. Adenauer: Not so soon. I wouldn't know how. If we in the West quarrel among ourselves, that pleases Khrushchev. Then he says to himself, "Another one or two years and I will have caught them."

Q: Is there trouble now in U. S.-German relations?

Dr. Adenauer: All is going very fast these days. The word is following too fast upon the thought. I don't say the action, but the word. You have to distinguish between thought, word and action. The thought is the most important. It needs time. When I speak, I have to know what I am willing to do.

If Taxes Are Cut— The Chances of a Boom

Cut taxes, say White House economists, and an era of high prosperity will follow. But can the country really be sure?

Other economists, asked that question, were inclined to doubt it. The facts on both sides of a growing argument—

Will tax cuts asked by President Kennedy, if voted by Congress, start this country on the road to full employment? Do they hold the answer to the problem of sustained prosperity?

Economic advisers to the White House say yes. Most other economists, whether in private business, in universities or in Government, say that it's very doubtful.

What tax cut can do. All agree that a cut in taxes of the size asked by the President will add a little to purchasing power in the hands of people. Together with an investment credit and added depreciation allowances, plus a modest tax cut for corporations, there will be more of a "cash flow" in the hands of business.

Even so, there is much skepticism about the effect of all these tax moves on the general state of business. If business is tending to boom at the time tax cuts take effect, it is generally agreed that the upward push could be substantial. However, if business is just jogging along, the White House is likely to be disappointed by what happens.

Of 20 economists sounded out on this question, 15 expressed views similar to those above. The two others felt that a cut in taxes by the amount the President recommends could really start things rolling.

Key figures. The few figures here show what is involved in producing these expressions of opinion:

The investment credit and added depreciation allowances granted to business corporations in 1962 amount to a tax cut of about 2.3 billion dollars a year. President Kennedy has asked Congress to give a net cut in taxes on 1963 income of 3.2 billion. Here, then, is a total cut of 5.5 billion in the nation's tax burden.

But this cut has to be related to total spending. That total in 1963 is expected to reach 578 billion dollars. The cut in taxes, in other words, would amount

about 1 per cent of this over-all spending. Most economists doubt that an increase of 1 per cent in added income can touch off a real boom in spending.

The President's top advisers on economic policy—Chairman Walter W. Heller of the Council of Economic Advisers and Budget Director Kermit Gordon—do not expect the tax cuts, if enacted, to have much effect in 1963, but they look for decided improvement in 1964 and 1965. This prospect is doubted by many other economists.

If the nation's total output expands at the recent rate of 4.6 per cent a year, the total would be 605 billion dollars in 1964. In that year, tax savings would amount to 7 billion. That would come to only 1.6 per cent of the total volume of spending.

The same rate of growth would bring total output to 633 billions in 1965, and tax savings then would be 11 billions. That again comes to only 1.7 per cent of total output.

Effect of "multiplier." Economists point to these figures to indicate that the Administration's tax program seems to be too small to have any great direct effect as a stimulant to business activity. The President's tax advisers, however, stress so-called "multiplier" effects of tax cuts. To them, \$1 of tax cuts is expected to add more than \$2 to total output.

Senator William Proxmire (Dem.), of Wisconsin, is among the doubters. He argued that, in the last nine tax cuts, two brought little change to the economy, four were followed by improved business, and three were followed by declines in business.

In addition to tax cuts, the Kennedy program also relies on a budget deficit to spur business. Deficits are expected to keep on at least until the fiscal year that begins July 1, 1966. It's generally agreed that Government deficits put cash into the spending stream. But when it comes to relying on tax cuts and deficits to give business the boost needed to reach full employment, many experts say: "Don't bet on it."

The goal: the chance. The goal of the Administration is to get unemployment down to 4 per cent of the labor force. Mr. Heller holds out this prospect for 1965.

To get unemployment down to 4 per cent from the recent rate of 5.6 per cent would require the addition of 1.3 million



—USN&WR Photo

PRESIDENTIAL ADVISERS: Economist Heller, left, and Budget Chief Gordon

new jobs. The President's economic report breaks down the total new jobs needed this way:

For new workers, 2.4 million jobs, plus \$80,000 to accommodate people who will re-enter the labor force as business improves. Then another 1.1 million jobs will have to be opened to cut unemployment to the 4 per cent rate.

What economists believe. Chances of reaching this goal by the end of 1965 are believed by many economists to be remote. The number of civilian jobs at the end of 1962 was only 1.8 million above the total at the end of 1960, and only 3.8 million more than the number in 1955.

The Kennedy target, in other words, calls for 500,000 more jobs to open from the end of 1963 to 1965 than were created in the seven years from 1955 to 1962.

To reach this goal, total output will have to rise in 1965 to 668 billion dollars. That's 35 billion more than the 633 billion that would be reached if the growth rate continues at the 4.6 per cent pace that has marked most recent years.

Most economists outside the Government appear to believe that the tax program advanced by President Kennedy is not sufficient to bring, within two years, an extra gain of 35 billions in total output and the employment of almost as many new workers as are now jobless.

More on tax deductions, page 33.

THE CUT IN TAX DEDUCTIONS

What New Plan Would Mean

Better check the details before counting up your own tax cut under the Kennedy plan.

The proposal contains tax increases, as well as cuts. For some people, the net effect would be little change in tax bills.

That fact is sinking in now on taxpayers and Congressmen, causing some second thoughts.

Tax deductions would be limited. Some taxpayers would be hit hard by that.

Dividends, stock options, estates, sick pay, group insurance—all these would come under new, costly rules.

This will help you figure out just where you will stand if the proposal becomes law.

Second thoughts are arising about that Kennedy plan to cut taxes.

The reason: Along with the cuts, Mr. Kennedy proposes other changes in tax law that would hurt millions.

As this begins to sink in, complaints are mounting.

Itemized tax deductions would be cut. Dividends would be hit. Some exemptions would be removed. Many tax privileges would disappear.

For many people, rate cuts would mean little. For some, taxes would rise. The charts on these pages show a few examples of what would happen.

One key change: Itemized deductions would be allowed only to the extent that they exceed 5 per cent of income. This means smaller deductions for charity, interest, State and local taxes, casualty losses, other deductible items.

Take a homeowner. His mortgage interest would be only partly deductible. The same goes for his property taxes.

Charities would be hit. Churches might suffer. Schools and other groups would find it harder to get donations.

All tax advantages of stock options would end. Special relief on dividend income would be removed. People getting a major part of their income from dividends are offered little or no tax cut.

Old people in low tax brackets would be helped. Those in higher brackets would get only limited relief. Some retired people would pay higher taxes.

Employees would be taxed on sick pay, and on company-paid premiums on group policies above \$5,000.

States and localities, if federal taxes go down, might be able to collect more taxes of their own. But, with lower federal taxes, interest rates on tax-exempt State and local bonds might have to be raised to attract buyers.

Another plan: to tax estates in two
(continued on next page)

If Kennedy's Tax Plan Becomes Law—

Your tax rate, on personal income and business profit, will be cut.



BUT THERE'S A CATCH: Also proposed are new rules that would hurt millions, especially those taxpayers in middle and upper brackets. A few of these proposals:

- To cut back sharply on itemized deductions.
- To place a special limit on casualty-loss deductions.
- To raise taxes on dividend income.
- To wipe out special relief for sick pay.
- To tax employees on company-paid premiums for group insurance.
- To end double exemptions and retirement-income credit for old people, offering instead a \$300 tax credit.
- To tax "paper profits" on stock options.
- To tax capital gains on assets transferred by gift or at death.
- To tighten up on other capital-gains rules.
- To require a speedup in tax payments by large corporations.
- To raise taxes on many groups of small, affiliated companies.
- To cut depletion allowances on oil and gas.



AND NOTE THIS: Most of this rule tightening would take effect at one time, on Jan. 1, 1964. Some people and businesses would pay higher taxes in 1964 than they pay now.

U. S. News & World Report

[continued from preceding page]

ways. First, gains in value of assets left at death would be taxed as capital gains. Then the estate, less the capital-gains tax, would be subject to the estate tax.

The holding period to qualify for tax as long-term capital gains would be lengthened to one year. Gains on real estate would come under tighter rules.

And note this: Tax cuts would come in three steps—1963-64-65. Yet, for some, taxes would go up temporarily in 1964, because most of the new, tighter rules would hit in one blow that year.

All this is just a sample of the strings attached to the tax cut. The plan faces rough weather in Congress.

SQUEEZE ON DEDUCTIONS—HOW IT WOULD WORK

Proposed rule: to permit itemized deductions—for charity, interest, State and local taxes, etc.—only to the extent that the total exceeds 5 per cent of the taxpayer's income.

Result: a major cut in deductions. For the whole group that now itemizes, this would mean 2.3 billions a year in added taxes, offsetting part of the benefit of lower tax rates.

Examples:

- A family of four with an income of \$10,000 a year. Total deductions, if \$2,000 now, would be trimmed to \$1,500. At the 18 per cent tax rate proposed for 1965, this means \$90 in added taxes.
- A family with \$25,000 of income. Deductions, if \$5,000 now, would be cut to \$3,750. Extra taxes, at a 27 per cent tax rate: \$338.
- A family with \$100,000 of income. Deductions, if \$20,000 now, would be reduced to \$15,000. Added taxes, at the 55 per cent rate proposed for 1965: \$2,750.

A TIMETABLE FOR KENNEDY'S PLAN TO CUT INDIVIDUALS' TAXES

1963

Cut in tax rates effective July 1. Savings for individuals on '63 taxes: 2.8 billion dollars.

1964

Another cut in rates, reducing taxes by an additional 5.5 billions.

But: Cutback on deductions, losses from other tax "reforms" would cost taxpayers 3.1 billions. Net cut for 1964: 2.4 billions.

1965

A third cut in tax rates. Tax savings: \$2.7 billions.

Net tax cut, all three steps: 7.9 billions.

SOME SIDE EFFECTS OF THE TAX PLAN

These groups, among others, may be hurt or helped:

● **Churches.** Many clergymen and lay leaders are worried. Limited deductions and reduced tax rates could mean lower pledges, a strain on church budgets.

● **Schools, charities.** Same problem here. The stakes are high. The 23 million people who itemize deductions list contributions of around 7 billions a year to schools, charities, hospitals, churches, etc. That does not count the billions donated by corporations and by people who don't itemize deductions.

● **Home builders.** Question: Would a cut in deductions—including those for interest on home mortgages and for property taxes—keep some people out of the market for new homes? Many builders are fearful.

● **Apartment owners.** Any slackening of people's desire to own homes would mean, presumably, more demand for apartments. Already, there is a boom in apartment building.

● **State and local governments.** Lower federal taxes, over all, would give States and localities more leeway to raise taxes. Also: 19 States now permit, on State tax returns, deductions for federal taxes paid. Thus, if federal taxes go down, State tax collections go up.

● **Automobile owners.** A cut in depletion allowances for oil companies, as now proposed, could cause those companies to increase gasoline prices.

HOW A TYPICAL FAMILY WOULD FARE

Example: Family of four, no income except salary.

	In 1962	In 1965
Salary	\$7,500	\$7,500
Less: sick pay	200	
Plus: Employer-paid premium on \$10,000 of group insurance		100
Adjusted gross income	7,300	7,600
Personal exemptions	2,400	2,400
Itemized deductions (for interest, State and local taxes, charity, etc.)	1,500	1,500
Less: 5 per cent of adjusted gross income		380
Net deductions allowed	1,500	1,120
Taxable income	3,400	4,080
Federal tax	680	614

Tax cut: \$66 per year, or \$1.27 per week.

But: Social Security taxes are going up \$24 a year. State and local taxes, if past experience holds, will rise by \$100.

Net increase, all taxes: \$58 per year, or \$1.12 per week.

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**THE BITE NOW PROPOSED
 ON DIVIDEND INCOME**

Proposal: to cut tax rates for everybody, but to wipe out all tax advantage on dividend income. Present law exempts the first \$50 of dividends, and permits a tax credit equal to 4 per cent of total dividend income. How the change would work out for a family of four:

Total income	If 1/4 of income is from dividends, 3/4 from salary—			If all income is from salary—		
	1962 tax	1965 tax	Tax cut	1962 tax	1965 tax	Tax cut
\$5,000	\$354	\$296	\$58	\$420	\$296	\$124
10,000	1,254	1,068	186	1,372	1,068	304
15,000	2,314	2,076	238	2,486	2,076	410
25,000	5,034	4,605	429	5,318	4,605	713
50,000	15,424	13,837	1,587	15,976	13,837	2,139
100,000	43,659	38,542	5,117	44,724	38,542	6,182

Note: Tax deductions, assumed to equal 10 percent of income in 1962, are adjusted for 1965 in accordance with proposed new rules.

WHAT WOULD HAPPEN TO STOCK OPTIONS

Kennedy plan: to tax "paper profits" at regular income rates at the time a stock option is exercised. Later, if the stock is sold, any additional profit would be taxed at capital-gains rates.

Take an example: An executive with \$100,000 of taxable income gets an option to buy 1,000 shares of his firm's stock at the market price of \$100 a share. Six months later the stock is worth \$150, and he exercises the option. A year later, he sells the stock at \$200 a share.

Option price: \$100,000.

Market price when option is exercised: \$150,000.

"Paper profit": \$50,000.

Tax under present law: none

Tax under proposed law: \$29,400

Market price when stock is sold: \$200,000.

Taxable gain under present law: \$100,000.

Tax under present law: \$25,000.

Taxable gain under proposed law: \$50,000.

Tax under proposed law: \$8,700.

Total tax under present law: \$25,000.

Total tax under proposed law: \$38,100.

Tax increase: \$13,100.

THE PLAN FOR OLD PEOPLE'S TAXES

The plan: to wipe out double exemptions and retirement-income credit, substituting a flat \$300 tax credit for old people. How this would work out, in conjunction with general rate cuts and other proposals in Kennedy's tax program, is shown by two examples:

Example 1: couple over 65. Income: \$10,000—\$5,000 in dividends, \$3,500 from private pension, \$1,500 from Social Security. Deductions: \$1,000 of itemized deductions in 1962, standard deductions in 1965.

1962 tax, present law.....\$514

1965 tax, proposed law\$441

Tax reduction\$ 73

Percentage reduction14.2%

Example 2: couple over 65. Income: \$15,000—\$7,500 in dividends, \$1,000 in interest, \$6,500 from private pension. Deductions: \$1,500 of itemized deductions in 1962, standard deduction in 1965.

1962 tax, present law\$1,554

1965 tax, proposed law..\$1,752

Tax increase\$ 198

Percentage increase12.7%

IF CAPITAL GAINS ARE TAXED AT DEATH—

What's proposed: to apply the capital-gains rate of tax to any "paper gains" on assets transferred by gift or at death.

Here is an example: At death, a man leaves an estate valued at \$500,000, including an unrealized gain of \$100,000 on property. His

income in the year of death was \$100,000. The estate is left to the children.

Present law works this way—

Capital-gains tax: none.

Estate tax: \$126,500.

Left for the children: \$373,500.

Proposed law would work this way—Capital-gains tax: \$18,900.* Estate tax on remainder of the estate: \$120,452.

Total tax: \$139,352.

Left for the children: \$360,648.

Tax increase: \$12,852.

*At reduced rates proposed as part of Kennedy tax program.

New Gains In Business: How Strong

TAKE A BROAD LOOK at current trends in U. S. business, and you find this—Activity in most lines continues to move upward. In a few cases, records are being broken. Output of industry, over all, is at the highest level in history. So are consumer income and spending.

Even so, business generally seems to lack real zip. The buoyancy that was felt in the early stages of recovery from the recession now is lacking.

You can see some of these divergent trends in the chart on this page. It pictures an economy that is neither weak nor vigorous. Business is plodding ahead at a time when many forecasters hoped it would be surging forward.

On the one hand . . . Weak spots are beginning to show up here and there.

Industry's output in December, while above the December rate, was only a trifle higher than six months ago.

Unfilled orders at factories, according to latest figures, are lower now than at mid-1962, and new orders being booked also are a bit lower than they were six months ago. The average workweek at factories is about the same as it was at the beginning of 1962—and down a trifle from six months ago.

Unemployment, still a nagging problem, stands now at about 5.8 per cent of the labor force—well above the rate of 4 per cent the Kennedy Administration has set as an interim goal on the road to "full employment."

Steel output, higher than six or eight months ago, still is well below the rate of early 1962. Some recent buying apparently has been in anticipation of a possible steel strike next summer.

On the other hand . . . A few lines of business, however, show noteworthy strength.

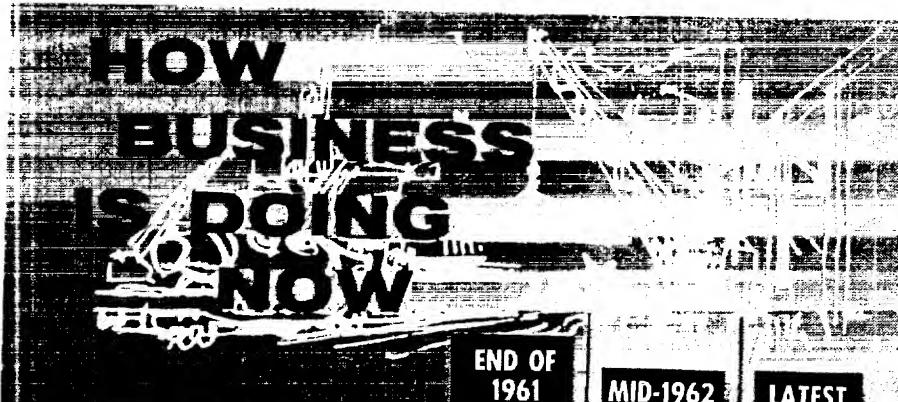
Auto output continues to boom. Buyers appear to like the 1963 models. Car sales early in January were 16 per cent more than in the same period of 1962.

Profits of corporations are showing some improvement. Profits for all corporations in 1962 will be moderately ahead of those for a year earlier.

Higher spending for public construction—including highways—has spurred business in some areas.

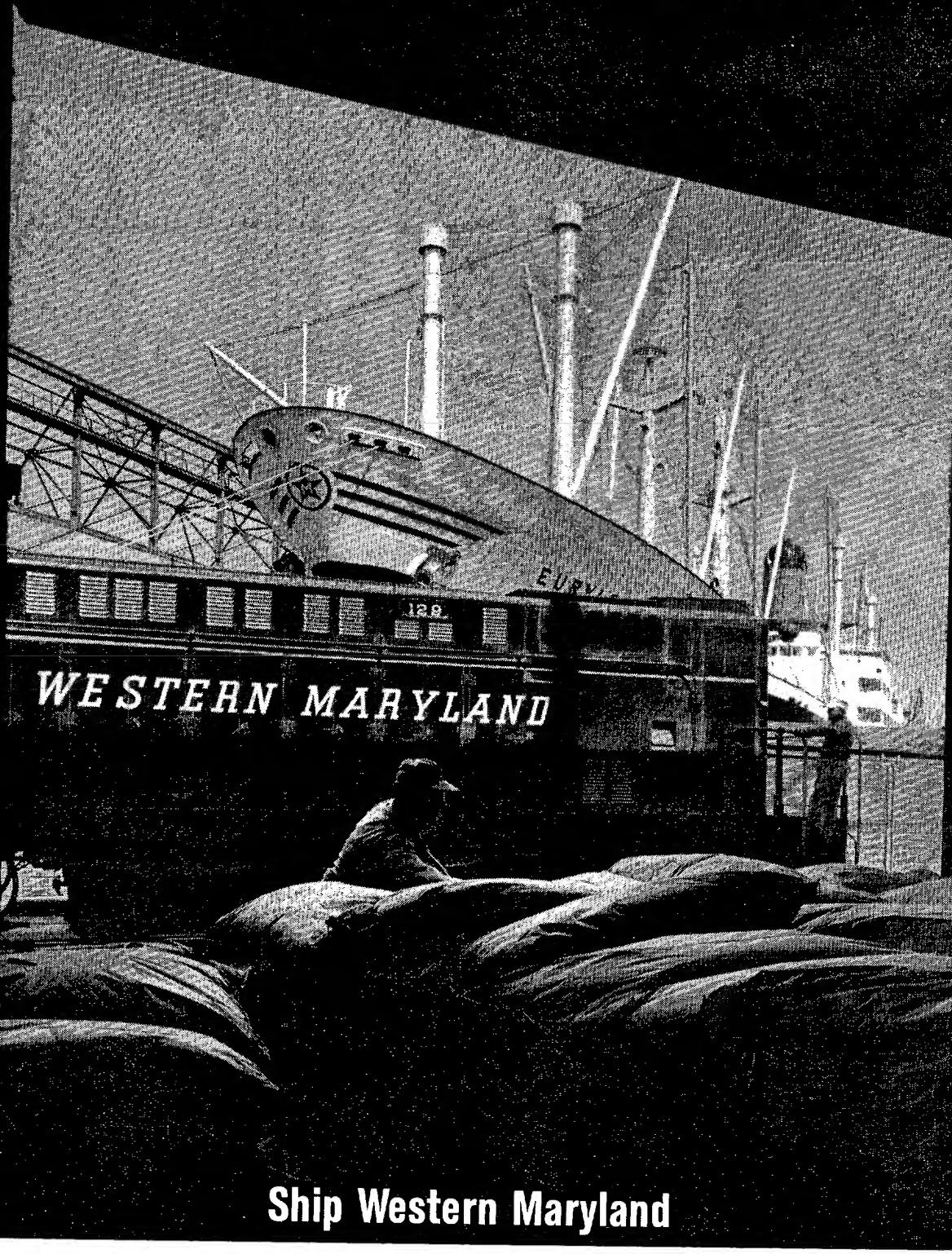
Adding it all up, you find that business, at this point in 1963, is good when measured by standards of the past, but shows no signs of heading into a boom.

Profit picture for 1962, page 38.



	END OF 1961	MID-1962	LATEST
Industry's output (1957-59 = 100)	115.6	119.3	119.6
Factory output (1957-59 = 100)	115.9	119.7	120.3
Gross national product (annual rate, billions)	\$538.6	\$552.0	\$562.0
Personal income (billions, annual rate)	\$430.5	\$441.9	\$450.4
Retail trade (billions monthly)	\$18.8	\$19.7	\$20.2
Department-store sales (1957-59 = 100)	113	114	117
Employment (civilians, thousands)	66,733	67,735	68,185
Unemployment (thousands)	4,274	3,827	4,196
Unemployment rate (per cent of labor force)	6.0%	5.3%	5.8%
Factory workweek (hours, average)	40.4	40.5	40.3
Weekly pay in factories (average)	\$96.63	\$96.56	\$98.01
Steel output (ingot tons daily, thousands)	319	206	269
New construction (millions monthly)	\$4,917	\$5,174	\$5,216
Private construction	\$3,490	\$3,742	\$3,750
Public construction	\$1,427	\$1,431	\$1,466
Housing starts (annual rate, thousands)	1,295	1,466	1,499
New-car sales (annual rate, millions)	6.0	6.5	6.7
Corporation profits (annual rate, before taxes, billions)	\$51.4	\$50.9	\$51.5
Factories' new orders (monthly, billions)	\$32.9	\$33.3	\$32.9
Factories' unfilled orders (billions)	\$48.2	\$48.1	\$45.2
Freight carloadings (1957-59 = 100)	95.6	89.6	90.5

Note: All figures seasonally adjusted except unfilled orders and weekly pay in factories.



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AS COMPANIES REPORT THEIR EARNINGS—

BRIGHT, DARK SPOTS IN THE PROFITS PICTURE

PROFITS OF CORPORATIONS, by and large, seem to be rising slowly.

In reports just coming out on earnings in 1962, the great bulk of the leading American companies are showing some increase over 1961. What's more, profits at the end of the year appear to have been running at a higher level than in the first quarter, if allowance is made for the changes in tax rules that took effect in 1962.

A survey of reports just issued by more than 250 large firms shows this:

Profits of the entire group, after taxes, totaled just under \$8.8 billion dollars in 1962, compared with a trifle more than \$7.5 billion in 1961. That indicates a gain of 16.4 per cent.

General Motors, which made more money than any corporation ever before in history, showed a gain of 63.4 per cent. The rest of the companies in the survey showed an increase, in the aggregate, of 10 per cent.

The top gains. Sharpest increases in profits were posted by auto makers, a few defense contractors, some truckers and smaller trunk airlines. Sizable gains were reported by many others, including producers of machinery, building materials, copper and aluminum, chemicals, processed foods, oil, paper and textiles.

Reduced profits were reported by some large steel producers, grocery chains, makers of office equipment and a sprinkling of firms in other lines.

Tax changes had a big impact. Treasury rules allowed companies to show bigger charges for depreciation, which reduced both profits and taxes. The new tax credit for investment also reduced taxes. The effect on profits after taxes differed widely according to the accounting procedures the companies adopted.

For U. S. Steel Corporation, the changes cut reported profits after taxes by about \$30 million dollars. Otherwise, the company would have shown about the same profit in 1962 as in 1961, instead of a drop of nearly 14 per cent.

Rules laid down by the Interstate Commerce Commission for the railroads had the opposite effect. The Santa Fe would have shown a drop in profits after taxes, instead of a rise, if the tax changes had not been made.

According to Government estimates, profits are to increase about 4 per cent in 1963 on the basis of present tax rates—and more if taxes are cut.

Profits after taxes	1961	1962	CHANGE
General Motors	\$ 892,821,000	\$ 1,459,000,000	UP 63.4%
American Motors**	\$ 22,636,000	\$ 37,166,000	UP 64.2%
U. S. Steel	\$ 190,182,000	\$ 163,859,000	DOWN 13.8%
Armco Steel	\$ 57,517,000	\$ 45,893,000	DOWN 20.2%
Inland Steel	\$ 54,674,000	\$ 52,487,000	DOWN 4.0%
National Steel	\$ 32,917,000	\$ 35,543,000	UP 8.0%
Kennecott Copper	\$ 61,897,000	\$ 65,663,000	UP 6.1%
Magma Copper	\$ 9,557,000	\$ 10,005,000	UP 4.7%
Kaiser Aluminum & Chemical	\$ 24,038,000	\$ 31,151,000	UP 29.6%
Aleco	\$ 43,049,000	\$ 56,447,000	UP 31.1%
Peabody Coal	\$ 13,541,000	\$ 14,729,000	UP 8.8%
Island Creek Coal	\$ 3,091,000	\$ 4,570,000	UP 47.8%
Standard Oil (N. J.)	\$ 758,000,000	\$ 840,000,000	UP 10.8%
Gulf Oil	\$ 338,537,000	\$ 340,000,000	UP 0.4%
Socony Mobil Oil	\$ 211,319,000	\$ 242,200,000	UP 14.6%
Standard Oil (Ind.)	\$ 153,837,000	\$ 162,500,000	UP 5.6%
Du Pont	\$ 418,163,000	\$ 452,000,000	UP 8.1%
Monsanto	\$ 68,656,000	\$ 78,220,000	UP 13.9%
Air Reduction	\$ 14,199,000	\$ 16,354,000	UP 15.2%
Smith Kline & French	\$ 27,073,000	\$ 30,528,000	UP 12.8%
Eli Lilly	\$ 23,076,000	\$ 25,400,000	UP 10.1%
Int'l Business Machines	\$ 207,228,000	\$ 241,387,000	UP 16.5%
American Photocopy	\$ 4,926,000	\$ 1,387,000	DOWN 10.9%
Burroughs	\$ 10,489,000	\$ 9,493,000	DOWN 9.5%
Westinghouse Electric	\$ 45,447,000	\$ 57,061,000	UP 25.6%
Caterpillar Tractor	\$ 55,823,000	\$ 61,928,000	UP 10.9%
Ex-Cell-O	\$ 9,934,000	\$ 12,230,000	UP 23.1%
Avco	\$ 12,982,000	\$ 18,790,000	UP 44.7%
P. R. Mallory	\$ 4,513,000	\$ 5,121,000	UP 13.5%
Rockwell Manufacturing	\$ 8,509,000	\$ 9,122,000	UP 7.2%
Douglas Aircraft	\$ 5,957,000	\$ 10,205,000	UP 71.3%
Libbey-Owens-Ford Glass	\$ 34,753,000	\$ 37,752,000	UP 8.6%
Johns-Manville	\$ 23,862,000	\$ 23,927,000	UP 0.3%
Georgia-Pacific	\$ 13,838,000	\$ 18,055,000	UP 30.5%
Eagle-Picher	\$ 2,683,000	\$ 3,444,000	UP 28.4%
Koppers	\$ 6,721,000	\$ 7,825,000	UP 16.4%
Owens-Corning Fiberglas	\$ 14,279,000	\$ 14,372,000	UP 0.7%
Missouri Portland Cement	\$ 4,328,000	\$ 4,489,000	UP 3.7%
American Can	\$ 16,352,000	\$ 18,736,000	UP 5.1%
Container Corp. of Am.	\$ 18,292,000	\$ 18,670,000	UP 2.1%
Union Bag-Camp Paper	\$ 16,973,000	\$ 18,833,000	UP 11.0%
Crown Zellerbach	\$ 36,679,000	\$ 38,786,000	UP 5.7%
Scott Paper	\$ 31,141,000	\$ 32,696,000	UP 5.0%
National Biscuit	\$ 28,424,000	\$ 30,439,000	UP 7.1%
National Distillers & Chem.	\$ 23,259,000	\$ 24,226,000	UP 4.2%
Philip Morris	\$ 21,511,000	\$ 21,916,000	UP 2.0%
Colonial Stores	\$ 3,900,000	\$ 4,365,000	UP 11.9%
Hart Schaffner & Marx	\$ 2,509,000	\$ 2,886,000	UP 15.0%
Indian Head Mills	\$ 3,726,000	\$ 4,088,000	UP 9.7%
A.K.U.-United Rayon	\$ 8,970,000	\$ 10,100,000	UP 12.6%
Rayonier	\$ 7,990,000	\$ 11,125,000	UP 43.0%
Endicott Johnson	-\$ 12,216,000*	\$ 620,000	
Continental Air Lines	\$ 1,121,000	\$ 1,771,000	UP 58.0%
Delta Air Lines	\$ 4,922,000	\$ 13,133,000	UP 166.8%
Atchison, Topeka & Santa Fe	\$ 54,850,000	\$ 70,692,000	UP 28.9%
Southern Railway	\$ 29,435,000	\$ 34,740,000	UP 18.0%
Norfolk & Western	\$ 60,351,000	\$ 65,365,000	UP 8.3%
Pennsylvania Railroad	\$ 3,516,000	-\$ 3,210,000*	
New York Central	-\$ 12,549,000*	\$ 3,836,000*	
American Tel. & Tel.	\$ 1,271,086,000	\$ 1,384,252,000	UP 8.9%
Consolidated Edison of N. Y.	\$ 76,352,000	\$ 90,635,000	UP 18.7%
Detroit Edison	\$ 39,765,000	\$ 42,911,000	UP 7.9%
Panhandle Eastern Pipe Line	\$ 20,625,000	\$ 25,686,000	UP 24.5%

* Loss

** Calendar year, based on fiscal year ended September 30 and first quarter ended December 31.

Basic data: company statements and Standard & Poor's Corporation

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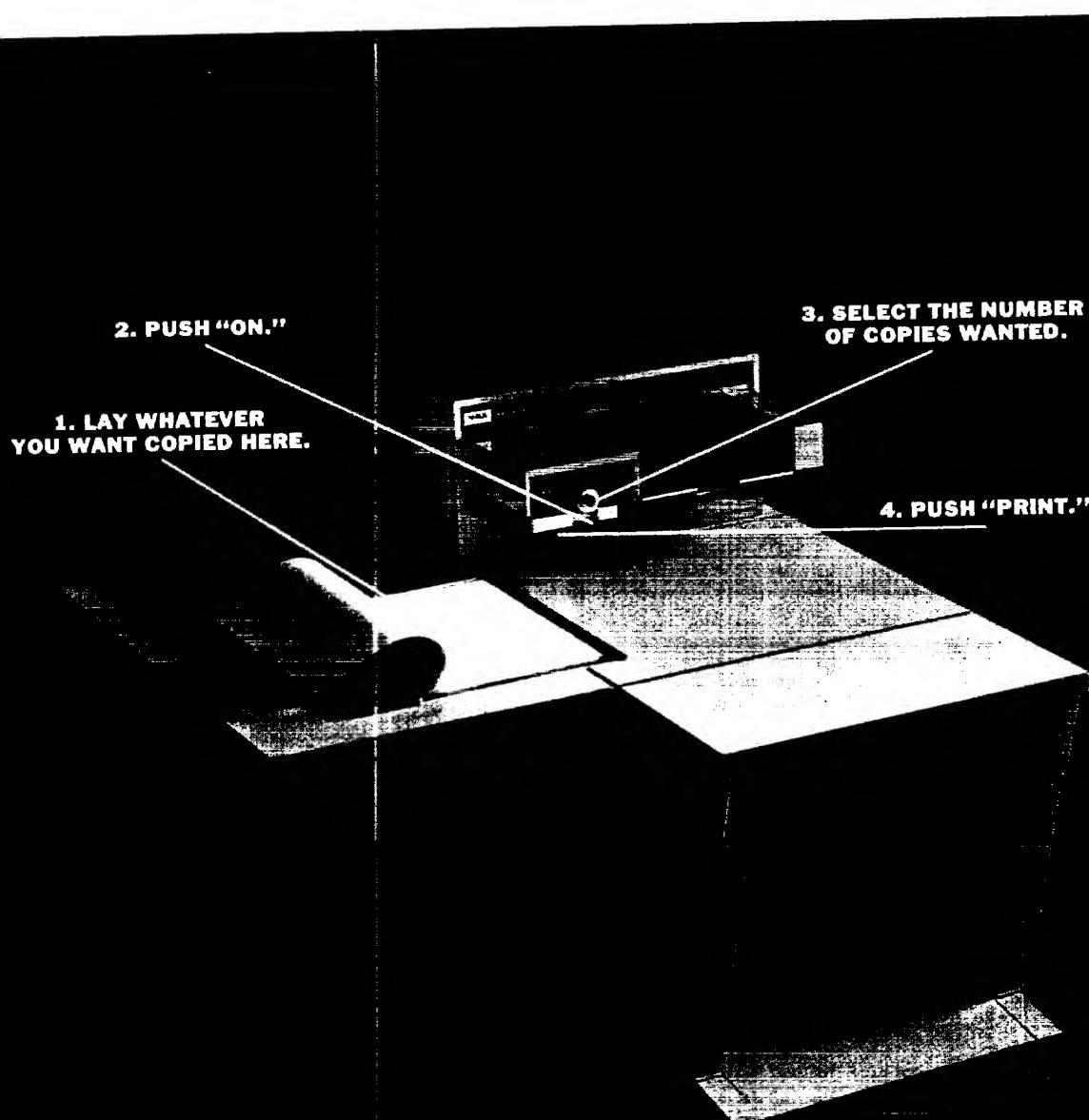
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"Gap" in North American Defenses

CANADA—A WEAKENING ALLY?

Now it's Canada that is worrying U. S. defense planners.

Reason: Nuclear warheads essential to Hemisphere defense are not in place. Result: Charges of foot dragging in Ottawa, sharp words in Washington—and a Government crisis for Canada.

OTTAWA

On both sides of the border, Canada's value as a defense partner of the U. S. now is being seriously questioned.

The persistent unwillingness of Prime Minister John G. Diefenbaker to equip Canadian forces with nuclear arms has put a severe strain on relations between the North American allies.

The extent of this strain was made clear on January 30, when the U. S. coldly told Canada that nuclear weapons are essential to joint U. S.-Canadian defense of this continent.

The "bombshell." The U. S. statement said that Canada, in recent secret negotiations, has failed to propose any workable plan for arming its forces with U. S. nuclear warheads to counter Russia's atomic-bomber squadrons.

Here in Ottawa, the U. S. statement ignited a battle in Parliament that shook the Diefenbaker Government. The Prime Minister himself accused the U. S. of an "unwarranted intrusion" in Canadian affairs.

One opposition leader—Robert Thompson, head of the Social Credit Party—declared:

"Once again, the United States has had to state Canadian policy for Canada. It is regrettable that indecision of the Prime Minister has forced the United States, obviously in self-defense, to interfere in what should be strictly a Canadian matter."

Military men in both Canada and the U. S. say that the nuclear-weapons "gap" in Canada has dangerously weakened not only the continent's defenses, but also the North Atlantic Treaty Organization's defense position in Europe.

The promise. It was four years ago that Mr. Diefenbaker promised the U. S. that Canada would acquire the nuclear punch the U. S. offered to provide.

The unkept promise has brought sharp attacks on the Diefenbaker Government.

Critics assert that, without nuclear

weapons, Canada's antiaircraft missiles and warplanes are useless.

Said the influential "Financial Post" of Toronto, for example:

"Canada's allies regard us as a washout and our policies as a bust—militarily, diplomatically and economically."

Other critics—including some Canadian military experts—accuse the Government of going back on its word, breaking faith with allies, making Canada's defenses ineffective if not impotent.

A former chief of the Canadian Air Force staff charged recently: "We are no longer meeting our obligations. We are not equipped for immediate action. We have permitted a gap to appear in the defenses of North America."

"Now, as result of the halfway measures we have taken, our portion of the defense partnership is falling apart."

Chided by Norstad. The issue, simmering for years, boiled over early in January when Gen. Lauris Norstad, retiring from command of NATO forces in Europe, reproved Canada for not having lived up to an agreement to arm Canadian NATO units with nuclear weapons.

The agreement dates back to February, 1959, when Prime Minister Diefenbaker announced that Canada would, with U. S. help, acquire from the U. S. the military hardware needed for a nuclear deterrent.

The agreement has never been renounced, but there has been one delay

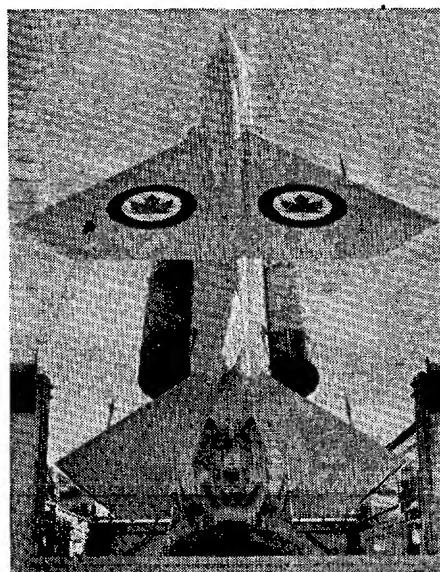
after another, chiefly over the question of custody and control of nuclear arms. Mr. Diefenbaker, unwilling to accept a system of joint control, such as that between the U. S. and Britain, has nevertheless insisted that nuclear warheads could be made available to Canadian forces on a few hours' notice if the need arose.

The Cuban crisis last October threw a spotlight on Canadian defense deficiencies. Fifty-six BOMARC-B missiles—provided by the U. S. and in position at two Canadian bases built mainly with U. S. money—were useless without nuclear warheads. And the Royal Canadian Air Force's 64 Voodoo jet interceptors, which lacked nuclear tips for their Falcon rockets, were more of a liability than an asset, it was argued.

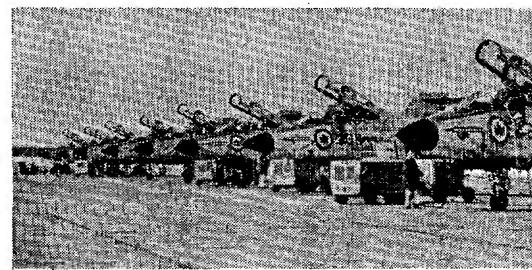
During Cuban Crisis. At the height of the Cuban crisis, the Canadian Government reportedly refused to permit U. S. Air Force fighters permanently stationed at two Canadian bases to be outfitted with nuclear arms, and to allow nuclear-armed U. S. squadrons to move into position at Canadian bases.

The current defense muddle is rooted in this dilemma that divided the Canadian Cabinet: how to reconcile the Canadian pursuit of world disarmament with the need for protecting Canada until disarmament is achieved.

Canada's defense dilemma may be resolved by a general election later this year. Meanwhile, however, Canadians are finding the nuclear-arms issue confused, contradictory and disturbing.



← A BOMARC antiaircraft missile. Canada has 56 BOMARCS, all of them deemed useless because they don't have nuclear warheads.



↑ Canada's Voodoo jets also lack nuclear arms. Critics say they're more of a liability than an asset. —RCAF Photos

WHY SOVIETS ARE RUSHING A MILITARY BUILDUP IN CUBA

It's more than just Cuba that Khrushchev is after. The Russian dictator—still pouring in Soviet troops and weapons—is building up Fidel Castro's island as a military base for Communist expansion throughout all of Latin America.

Reported from
GUANTANAMO BAY, Cuba,
and MIAMI, Fla.

Cuba, once again, is growing into a military menace. Soviet arms shipments are continuing to arrive in that Red-ruled island. So are Soviet troops.

Evidence of that Soviet buildup in Cuba has been accumulating for weeks. Now it is clear: Nikita Khrushchev is turning Cuba into a Soviet military base of impressive proportions.

At least 18,700—possibly 35,000 or more—Soviet troops are in Cuba. They are armed with Russian-made missiles, planes, tanks, submarines and guns.

What is Khrushchev up to? Why is the Communist boss building such a huge military base in Fidel Castro's Cuba?

As the evidence grows, these Khrushchev aims are becoming clear:

1. Russian troops in Cuba are, first of all, an "occupation force." They serve to keep the Cubans—and Castro—in line. They protect Cuba's Communist regime against revolt from within.

2. Russian military power also serves to protect Cuba against invasion from without. If the United States should invade Cuba now, it would be fighting against Soviet troops. President Kennedy, having missed two opportunities to get Communism out of Cuba, now finds himself facing the possibility of a major war if he should try again.

3. Khrushchev is building in Cuba a base for Communist expansion throughout the Western

Hemisphere. From Cuba, with hoards of weapons and hordes of trained fighters, he can carry revolution and subversion into one Latin-American country after another.

Behind this size-up of Soviet activities and aims in Cuba is a mounting mass of new information. From inside Cuba came such reports as these:

- On January 25, a large Soviet ship loaded with military equipment docked in Havana's harbor.
- That same day, 1,500 Russians in military uniforms arrived by ship at another Cuban port.

Officially, the Kennedy Administration is cautious in assessing the significance of such reports. On January 31,

the Defense Department confirmed that two large Soviet ships arrived in Cuba but said: "There is no evidence that either carried offensive weapons."

Defense Secretary Robert McNamara said: "Since removal of the missiles, our coverage has not revealed the existence of strategic weapons systems in Cuba."

Cuban exile leaders, however, challenge the claim that all of Khrushchev's offensive missiles have been removed.

On the basis of underground intelligence reports from inside Cuba, these exile leaders say that 44 medium and intermediate-range missiles still remain in Cuba, hidden in caves.

The picture of Cuba that these underground reports paint is one of an island that already has become a huge and well-stocked military base.

Set out in the chart on this page is the underground's count of Soviet weapons and troops in Cuba. This count, the underground leaders maintain, is "conservative."

Russians are not the only foreign troops in Cuba.

There is in Cuba an organization called the "International Brigade." Its members are mostly Latin Americans brought into Cuba for training in sabotage and guerrilla warfare. Their trainers are Russians, Czechs, Red Chinese and Spanish "Republicans" who fought in Spain's Civil War.

Men of the International Brigade are known as "special mission" forces. Their "special mission" is to go back to their home countries in Latin Amer-

SOVIET MILITARY STRENGTH IN CUBA —AN UNDERGROUND INTELLIGENCE REPORT

The following figures on Soviet armed strength in Cuba come from intelligence reports of anti-Castro underground organizations working inside Cuba:

Troops: At least 18,700 Russians, perhaps as many as 35,000, including five Soviet generals.

Missiles: Soviets removed 42, but 44 medium and intermediate-range missiles are reported still in Cuba, hidden in caves, manned by Russians. In addition, 140 or more ground-to-air or ground-to-sea missiles are in Cuba. All missiles are capable of carrying nuclear warheads.

Planes: 184 MIG fighters have been counted, capable of carrying nuclear bombs into U. S. Also in Cuba are 37 Soviet transport planes, 83 Soviet helicopters. No jet bombers are known to remain in Cuba.

Submarines: 12 to 15 Soviet submarines are manned by Russians, operate from at least four new Russian-built bases.

Tanks: 260 Soviet-made T-34s and T-54s.

Patrol boats: 32, including nine with launchers for nuclear rockets.

Guns: 1,900 artillery pieces, 2,200 antiaircraft guns, 2,720 mortars, 425,000 rifles and small arms.

[continued from
preceding page]

NEW "SEA OF TROUBLE" IN ASIA

an area vital to U. S. interests. If Sukarno got North Borneo, his Indonesian flag would fly only 18 miles from the territory of the Philippines, a close military ally of the U. S.

Also, if Indonesia moves into British Borneo, then Indonesia's Soviet-supplied fighters and bombers will dominate the southern half of the South China Sea, just as Red China dominates the northern shore of that Sea. The U. S. must cross the South China Sea to get its military aid into South Vietnam for war against Communist-led guerrillas.

Concern of military. All this, as U. S. military men see it, adds up to a very real threat to the U. S. position in this part of the world. You hear U. S. Navy, Army and Air Force officers who know Formosa, the Philippines and Vietnam express concern lest the Government in Washington fail to recognize the threat. Feeling here is that Britain might well lose Borneo to Sukarno just as the Dutch lost New Guinea.

Sukarno today gives every appearance of a "man in a hurry." He is worried by deadlines already set.

The United Nations now is "caretaker" of West New Guinea. A U. N. Army, composed mainly of Pakistani troops, plans to hand over West New Guinea to Indonesia on or about May 1.

Sukarno has asked the U. N. to deliver West New Guinea to Indonesia right now. The U. N. is looking into his request. But Britain and other members of the U. N. feel that Sukarno is merely anxious to move into New Guinea before he begins an all-out military operation against British Borneo.

Malaya's Tengku Rahman and the authorities of Sarawak, Brunei and North Borneo plan to get the Malaysian Federation going about August. After this Federation becomes a fact, Sukarno's talk of "liberating" the British Borneo territories will sound rather empty, since the Federation itself will be run by Malayans, not by Europeans.

Sukarno's worry. What worries Sukarno now is that the U. N. might decide Indonesia is "unfit" to run West New Guinea if the Indonesians get involved in an attack on British Borneo. Sukarno also fears that British Borneo might get away from him and into the new Federation of Malaysia unless he acts fast.

If it does come to a war over Borneo the Indonesian leader will have much in his favor. Thanks largely to Khrushchev, Indonesia has a Navy and Air Force with real striking power.

Russia has sent Indonesia about 100 MIG-15, 17 and 19 jet fighters plus at

least a dozen long-range MIG-21 jets. Also in Sukarno's Air Force are 20 IL-28 jet bombers and at least 10 TU-16s. The TU-16 is a jet bomber with a range of nearly 5,000 miles.

Pride of the Indonesian Navy is a 19,000-ton cruiser of the *Sverdlov* class. This warship, as well as two *Riga*-class frigates also supplied by Russia, has missile capability. In addition, the Indonesian Navy has 20 submarines, a dozen of them long-range Soviet vessels, plus seven modern destroyers.

The Indonesian Army of 350,000 regulars has amphibious tanks, artillery carriers and at least one battery of Soviet ground-to-air guided missiles. There are both Russian-made and U. S.-made sea and air troop transports to move Indonesia's soldiers to war.

Motive for Sukarno. Indonesian officials, obedient to Sukarno's will, already talk about applying a policy of "confrontation" toward the British and Malayans over Borneo. Lest there be doubt about just what the "confrontation" policy means, this was how Sukarno described his technique for getting Dutch West New Guinea. Selected paratroopers and guerrilla-warfare specialists from Indonesia's armed forces are pushed into the areas Sukarno wants. They "confront" the owners of the real estate—whether Dutch in New Guinea or British in Borneo—with force.

Why does Sukarno want British Borneo? The three territories, Sarawak, Brunei and North Borneo, have pretty much what the rest of Indonesia's scattered is-

lands have—oil, rubber, copra, timber and great undeveloped wealth in minerals and raw materials.

Most observers here believe Sukarno wants British Borneo "because it's there"—because the Indonesian leader would rather dabble in empire building and world power politics than face his real troubles at home.

When experts are fired. Indonesia is deep in economic troubles, largely because of mismanagement—or no management.

Oil, normally the No. 2 export item, is doing well in the hands of British, Dutch and U. S. producers and marketers. Rubber, though still No. 1 export of Indonesia, is falling off fast, like tin. Dutch technicians were ousted long ago and Indonesian administrators failed to maintain rubber plantations or tin dredgers. All through the Indonesian economy there is a pattern of mismanagement, inefficiency and inexperience.

Sukarno's Indonesia owes the Soviet Union about 1 billion dollars—mainly for arms. Even the arms-happy Sukarno is worried about this one-sided bill and has shown signs of cutting down on arms buying. The combined debts of Indonesia to Western nations may total another billion dollars. Funding of these debts now eats up nearly one quarter of Indonesia's annual earnings of foreign exchange.

Inside Indonesia, and particularly on Java, Sukarno's personal prestige and popularity with the masses remain high. At 61 the President still is a spellbinder, capable of swaying great crowds as the self-styled "Bung (Brother) Kurni, Tongue of the Indonesian People." Again and again in crises past he has told his people, "We don't care about international opinion." That is still Sukarno's theme today.

Reputation: ruthlessness. Outside Indonesia, Sukarno has earned a reputation among neighbors and Westerners of complete political ruthlessness. He considers Malaya a "lost province" of Indonesia and scorns the Philippines, which he considers dominated by the U. S. For Sukarno and many of his followers, all of Southeast Asia is no more than the tail to the Indonesian comet.

Everywhere in Southeast Asia today you find deep concern over the unpredictability of Sukarno's will, his plans to use his power and his vaulting ego. At this time and for the immediate future Sukarno appears to be the main source of trouble in this part of the world. As such, Sukarno helps Russia and the Communists, hurts the U. S.

[END]



—Wide World Photo

SUKARNO holds crowds spellbound by hurling defiance at nations opposing him

a military rebellion there, helped spread rebellion to Sarawak and North Borneo. Britain flew in troops from Singapore, crushed the revolt easily. Most rebels fled into Indonesian Borneo, from which many of them had come.

"Eager volunteers." The Indonesian President showed no sign of giving up his bid for British Borneo. On the contrary: In Jakarta, the capital of Indonesia, officials claimed that 40,000 "Borneo rebels" were still fighting the British. Also in Jakarta, it was announced that 30,000 "Indonesian volunteers" were already in Indonesian Borneo eager to join "the war of liberation."

Britain reacted swiftly as January ended. British troop reinforcements were flown to Brunei from Singapore. Royal Air Force planes stepped up their patrols on the border of Indonesia's part of Borneo. In London a brigade of 2,000 British strategic reservists were on alert for an airlift to Southeast Asia.

Indonesia stepped up the military pressure. The Indonesian Army's Chief of Staff flew to Indonesian Borneo while

rebel leaders from British Borneo assembled in Jakarta.

Alarm spread fast through Southeast Asia. Malaya's leader, the Tengku Abdul Rahman, told Sukarno: "Keep your hands off Malaysia." Tengku Rahman has a plan to unite Malaya, Singapore and the three British territories of Borneo into a single Federation of Malaysia by August of this year.

In Manila and in talks with the British in London, the Government of the Philippines further complicated the picture by claiming North Borneo for the Philippines. But the Filipinos and the British were talking out their differences in London, not fighting.

Americans: alarmed. U. S. military men in this part of the world are particularly alarmed by Sukarno's move toward Borneo. Reasons for this alarm show in the dispatches these Americans are sending to Washington.

Sukarno's Indonesia now controls most of the strategic sea and air routes around the island rim of Southeast Asia.

This growing power is massively

armed by Southeast Asian standards. Most of the new arms are Russian, turned over to Indonesia by an eager salesman, Nikita Khrushchev of Russia, in exchange for cash, trade or promises to pay.

Turn to adventure. Boss of Indonesia, Sukarno, is a man of vast ambition and ego. He has turned away from the enormous problems of the nation's wobbly economy to take on the exciting and dangerous task of acquiring still more territory. His empire already sprawls across 2,700 miles of ocean.

On his native island of Java, still the overcrowded home of most of Indonesia's 100 million people, Sukarno leans heavily for political support on the Communist Party of Indonesia, by long odds the best-organized political group in the country. Indonesian Communists, like the Russians, encourage Sukarno's empire building.

Territorial expansion now is taking Sukarno's Communist-equipped and Communist-supported armed forces into

(continued on next page)

INDONESIAN TROOPS, heavily armed, are part of the show of force Sukarno uses to bolster his dreams of empire

—Wide World Photo



ica and spread revolution, start wars of "national liberation."

The Communist idea is to avoid using Cubans to invade other nations in the Western Hemisphere because that would almost certainly bring retaliation by the U. S. and Organization of American States.

An underground report on the Communist organization for subversion in Latin America has been given to "U. S. News & World Report" by Manuel A. de Varona, a member of the Cuban Revolutionary Council. That report says:

"There is a Revolutionary Command for Latin America in charge of directing military action throughout the continent. This command is international in character and was created in Havana, in 1959, under the personal supervision of Soviet Col. Jaroslav Volenkesky, Chinese Lin Chiao Yen, and the Spanish General Alberto Bayo. Ché Guevara [a top Castro aide] and Raúl Castro [Fidel's brother] belong to this command.

"Its mission is to prepare armed action in the Caribbean area, with ramifications in all parts of the continent. This action is not planned for invasion from abroad, but for what the Communists call 'national-liberation wars,' which consist of invading from within with a strong decisive support from abroad."

The International Brigade, according to this report, "operates under the direction of the Revolutionary Command."

In addition to its training bases in Cuba, the Brigade is said to have operation bases—with guerrilla groups and stores of arms—in Mexico, Guatemala, Honduras, Costa Rica and Venezuela.

Stirrers of trouble. Numerous acts of troublemaking and sabotage in 10 Latin-American countries are attributed to this international outfit. So is a plot to blow up installations in New York City which was uncovered last November.

With all these troops and weapons in Cuba, the Soviet Union now is engaged in a vast building program there. Military barracks are going up. Radio transmitters and military telephone lines are being installed.

Biggest Russian troop concentration is reported near the town of Remedios, in Las Villas Province. There work is being rushed at top speed. Remedios recently ran short of water because the military construction was using up its supply.

Directing the show for the Russians, according to underground intelligence, are five Soviet generals.

Head man is identified as Gen. C. O. Slazenko. He has set up headquarters on the top three floors of a 20-story building in Havana.

Now, only three months after most Americans thought Khrushchev had agreed to pull out of Cuba, this is plain:

The Russians are digging in to stay.

From Senator Keating

LATEST FACTS ON RUSSIA'S CUBAN BASE

From the outset, Senator Keating of New York has called the shots on the Soviet buildup in Cuba. In this exclusive interview with members of the staff of "U. S. News & World Report" he details the new power of Khrushchev's base off U. S. shores.

Q Senator Keating, is the Soviet Union continuing to build up its military strength inside Cuba?

A Yes. There has been a constant military buildup since July 1 of last year. Now, there had been a buildup before that, but its intensity increased starting last July, and the buildup is continuing.

Q President Kennedy, in his news conference on January 24, said, "The best information we have is that one ship has arrived since the October crisis, which may have arms on it." Do you know of any other ships that have arrived in Cuba recently carrying Soviet military equipment?

A There has been other military equipment that has come into Cuba since October.

Interestingly enough, on January 25, the very next day after the President's statement, a second large Soviet vessel arrived in Cuba carrying armaments.

Significantly, I might add, it followed the same route taken by the ships that carried what they call "heavy stuff" into Cuba last summer—before the missile crisis of October. That route is one that was very probably chosen with some care.

Q What is the significance of that route?

A Well, the route is generally known to our intelligence experts as a "high security" route. It includes areas where we are least able to check up satisfactorily on the ships' cargoes, and uses docking facilities in Cuba which are completely closed off to outsiders day and night. This is the same route and same kind of treatment that was given to the ships last autumn that carried in the first medium-range missiles.

Certainly we should have known that the very day after the President's statement a second ship bearing armaments was arriving. I hope we don't

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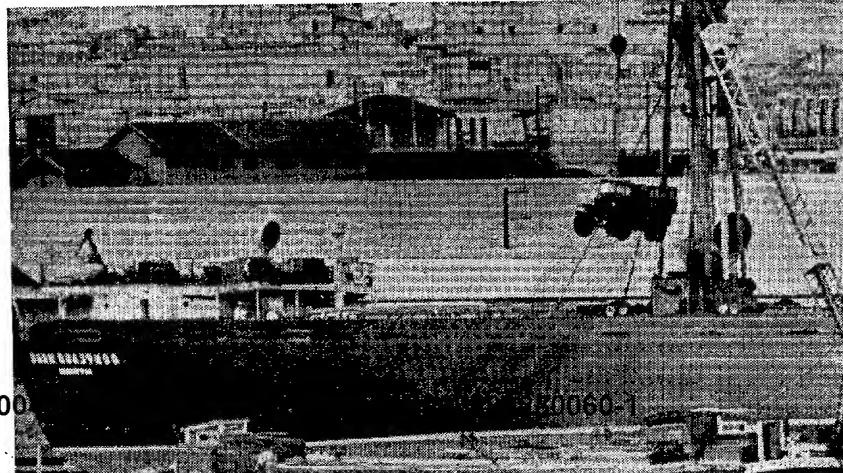


—USN&WR Photo

Senator Keating

RUSSIAN SHIP unloads a military-type truck in Havana during week of January 20. Other ships, says Senator Keating, have brought arms to Cuba.

—Wide World Photo



• • • "Russian troops and technicians in Cuba are digging in"

derive our intelligence solely from the fact that a ship has arrived. We should know what is coming on ships.

Q This second ship—did its cargo consist primarily of weapons?

A That is my understanding. I won't say there wasn't anything else on it, but it was primarily arms.

Q Do you know whether this information that you have about the arms buildup in Cuba is available also to the Kennedy Administration?

A I don't know what goes on within the executive branch. All of the information which I have either comes from official sources or has been confirmed by official sources. It is *not*, as some have tried to assert, based on refugee reports. So it is known to officials in Government, but I do not make the assertion that it is known to the President.

Q That first arms ship—the one mentioned by the President—when did it arrive?

A It arrived on the seventeenth of January, and the second ship arrived on the 25th. Now, I think that, when two ships bearing arms come into Cuba within 10 days, that is a very serious situation.

"THREAT TO SECURITY"—

Q If this buildup continues, would you consider it a direct threat to the United States?

A It is a threat to the security of the Western Hemisphere and to the lives and liberty not only of the Cubans but of other Latin-American peoples with which we have treaty obligations.

So, indirectly at least, it is a threat to the lives and liberties of our own American citizens.

Q How much do the Soviets have in Cuba now in the way of military weapons and troops?

A In giving you an estimate, I am going to assume that the long-range and medium-range Soviet missiles and the Soviet bombers that were discovered there last autumn are now out of Cuba.

Q Is there proof that all of those missiles and bombers have been removed?

A No. As the Secretary of State, Dean Rusk, said recently, the only way to prove that is by an on-site inspection. You can't prove that by taking pictures of a ship at sea.

But, in what I'm about to say, I'm going to assume that those missiles and bombers are out of there, as we've been told they are.

Even if they are out, when you take it soldier for soldier, MIG fighter plane for MIG fighter plane, torpedo boat for torpedo boat, tank for tank, gun for gun and weapon for weapon, the strength of the Russian military base in Cuba now is 10 times greater than it was on July 1 of last summer. And that's a conservative statement.

Q Is it also greater than it was last October?

A With the exception of the bombers and ground-to-ground missiles, yes, it is. More material has come in. In addition to that, the Russian troops and technicians and other Russian personnel in Cuba are digging in.

There is incontrovertible evidence that they are building a base there. They are building barracks, making it a permanent installation. They are continuing to maintain medium-range-missile sites. And they've been working at these activities in some parts of Cuba around the clock.

This gives rise to the very real possibility that the Russians hope to return heavy missiles to Cuba, or—even more ominous—that they may have missiles left on the island and need only to wheel them out of caves.

Q How many Russians are there in Cuba now, according to your information?

A Twenty thousand or more.

Q How many of those are combat troops?

A I am not able to give you precise figures, but I think that 6,000 to 8,000 would not be excessive. There are combat troops in considerable number.

Q In what kinds of units are those combat troops organized?

A There are some Russians manning antiaircraft guns, many manning antiaircraft missiles. There are Russian infantry units. And there is a sizable combat group of Soviet Air Force personnel in Cuba.

Q Are there Russian pilots in Cuba?

A Yes. The MIG fighter planes are mostly piloted by Russians.

Q Are more Russian troops still pouring into Cuba?

A I have no evidence that there have been additional troops sent in since October, but there may well have been.

I was—really, I'll be very frank with you—I was surprised at the President's statement about the number of Russians who were in Cuba last October. He said in his January 24 news conference that there are now 16,000 to 17,000 Russian soldiers and technicians in Cuba and that about 4,500 have been withdrawn since October.

That would mean that there were between 20,000 and 22,000 Russian soldiers and technicians in Cuba last October. And this is the first public utterance by a Government official to that effect.

Last October I was contending that there were around 12,000 to 15,000 Russians in Cuba and the answer put out by official sources then was that my figure was too high. They said then that the figure was no more than 8,000 to 12,000.

So the Administration now is doubling its own previous estimate of the Russian forces that were in Cuba last October.

Q Besides the combat troops, what other types of Russians are in Cuba?

A There are technicians, what we would call Signal Corps people, labor battalions, technical people, officers training Cubans, military advisers and so forth.

Q What other foreign Communists, besides Russians, are there in Cuba?

A There have been Chinese Communists. I've known of some Czechs, quite a few East Germans, and there are some African personnel. I don't know the nationality of all of them.

Q Do you have any evidence that any Soviet missiles or bombers remain in Cuba today?

A No. I have no evidence that there are—or that there aren't—and I don't believe there is any way of finding that out except to go there and look.

ARMS CASTRO IS GETTING—

Q What kinds of weapons are coming into Cuba now?

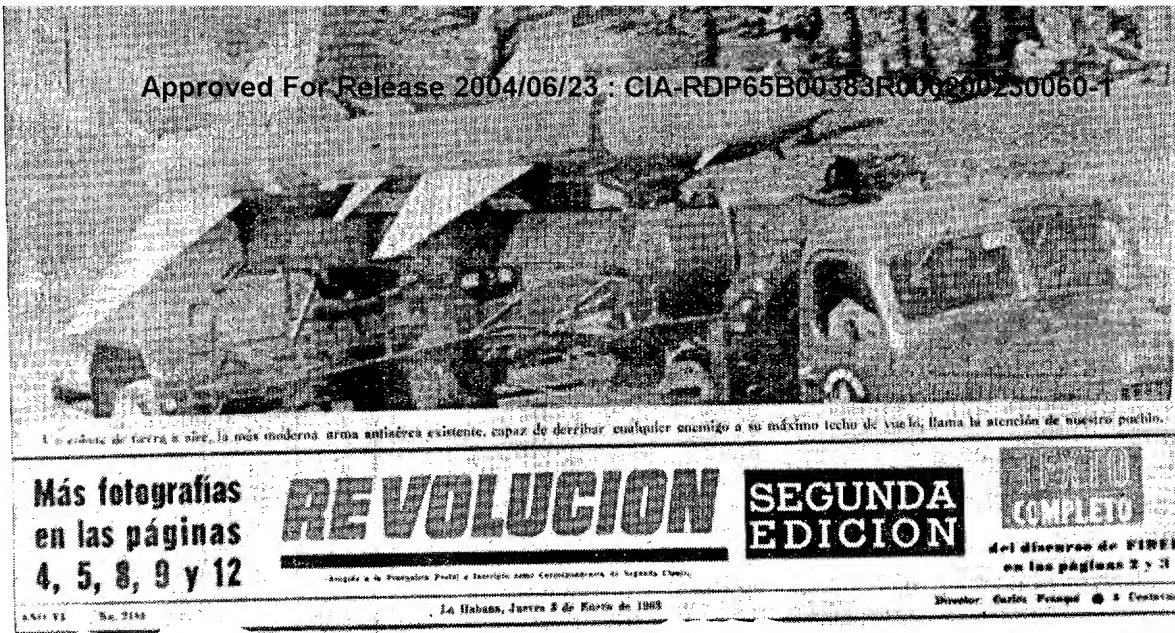
A I don't have a detailed analysis of what weapons were on these recent ships. But I can tell you what some of the weapons there now are. There are tanks, guns, ammunition, missile launchers—

Q Missile launchers? For what kinds of missiles?

A For antiaircraft missiles. There are also military vehicles, amphibious vehicles and torpedo boats. These torpedo boats, as well as the MIG planes that are in Cuba, are capable of carrying nuclear weapons.

Q Is there any evidence of nuclear weapons in Cuba?

A I have no firm, official evidence that there are nuclear weapons in Cuba at the moment, but there are an increasing



Más fotografías
en las páginas
4, 5, 8, 9 y 12

REVOLUCION

SEGUNDA
EDICION

EDICION
COMPLETA
del diario de FEBRERO
en las páginas 8 y 9

ANEXO VI

No. 3158

Amigo a la Poesía, Pintura y Escritura como Correspondencia de Nuestra Ciudad.

La Habana, Jueves 8 de Marzo de 1968

Editor: Carlos Franqui • 2 Centavos

HAVANA NEWSPAPER "REVOLUCION" published this picture of a Soviet missile in Cuba on January 3. Caption describes it as "the most modern antiaircraft arm in existence, capable of knocking down any enemy."

number of allegations that nuclear weapons are there. Again, I don't think there is any reliable evidence that there aren't.

Q How many MIG fighters are there in Cuba?

A There are more than 150 MIG fighters there. I believe I know the number, but I think, for certain reasons, that it is not in the national interest for me to talk about the exact number at this time.

Q Are those MIG's capable of carrying nuclear weapons?

A Yes. Now, let me make it clear that they would carry smaller nuclear weapons than the bombers would carry.

Q What is the range of the MIG's? How far into the United States could they penetrate?

A They could reach many Southern cities of the U. S. and many areas of the Caribbean. As to their exact range, I think there's some difference of opinion on that. But certainly they have the capability of traveling at least 400 miles from their base and returning, or 800 miles on a one-way trip.

Q How would you classify these weapons that Russia is sending into Cuba? Are they defensive or offensive?

A I think that's a misleading distinction to make. A tank or a MIG fighter or a gun has both offensive and defensive capabilities. It's a little hard to view torpedo boats or amphibious vehicles as defensive weapons. They seem to have more of an offensive than a defensive character. But perhaps it would be fair to say that antiaircraft guns and ammunition, on the other hand, have greater defensive than offensive connotation.

This whole question of offensive or defensive weapons depends on what you think is the intention of the one who is in control of those weapons. It's almost entirely dependent on that subjective judgment, and I just do not accept this distinction between offensive and defensive weapons.

I think that weapons of this general character, increasing in number over a period of six or seven months, and the presence of 20,000 or more soldiers of a foreign nation in Cuba pose a serious threat to us, whether you call those weapons offensive or defensive.

Q Why do you think, are the Russians keeping such a large military force in Cuba?

A It's pretty hard to read the mind of a Communist, but I would think there are a number of reasons.

One reason is this: We know that they want to extend their influence to other Latin-American countries and to build Cuba as a base for that extension. The evidence of that is manifold.

Secondly, there is a Soviet desire to build a tight police state so as to keep Castro—or some other puppet—in power and to keep the Cuban people under Communist subjugation. They know there is increasing opposition to the Communist regime in Cuba, and, therefore, they need a strong force to keep the populace down. I think this Soviet force now in Cuba is greater than they would need for that purpose, but that is one purpose.

A third purpose of the Soviets is to use the existence of their force in Cuba as a strong bargaining weapon in any negotiations which might take place with the free world. They want to be able to say to us, "Don't forget—at all times, there is a well-equipped, strong Russian military base 100 miles from your shores."

Q Do you mean the Russians intend to use this military buildup in Cuba as a threat?

A I think that is one of the three purposes as I have outlined them. There may be other reasons.

In my judgment, the long-term aim of the Soviet buildup in Cuba probably is to insure that Cuba cannot be liberated by conventional weapons alone. Unless we stop it now, the day will come when we will publicly either have to accept the permanent existence of a Soviet Cuba, exporting aggression as it chooses throughout Latin America, or deliberately choose to use nuclear weapons in this Hemisphere, thus handing the Soviets a permanent propaganda advantage.

Here, however, I want to disavow any fear of an immediate invasion of the United States from Cuba. Sometimes those of us who have urged a strong policy in Cuba are confronted by critics who try to make us look ridiculous by asking us, "Are you afraid that little Cuba is going to invade the United States?"

Well, in the first place, it isn't "little Cuba"—it's Soviet Russia. But I want to make it plain that I do not believe that there's an imminent danger of an invasion of the United States or an attack directly upon the United States from Cuba.

I do believe that, if we let the present buildup continue, Castro and the Soviets are going to get steadily bolder in their forays into Latin America. Subversion, sabotage, bombings, terrorism will increase.

And sooner or later we will have to decide to put an end to it or see the Communists take over South America.

The longer this decision is postponed, the more difficult it will be to execute. That's why the present buildup can only be viewed with the deepest concern.

A NEW "SEA OF TROUBLE" IN SOUTHEAST ASIA

Sukarno of Indonesia is a "man in a hurry." He wants Dutch New Guinea delivered now, also wants British Borneo.

There may be war over Borneo. Britain, Malaya, Philippines, even the U.S. are disturbed by Sukarno's appetite for empire.

SINGAPORE

Just months after squeezing the Dutch out of West New Guinea, Sukarno of Indonesia is moving toward war again.

This time Indonesia's strong man is out to get the three British-protected

territories of Borneo Island—Sarawak, Brunei and North Borneo.

Sukarno's immediate aim is to expand his island empire, already the fifth most populous nation in the world. But Sukarno also is well on his way to upsetting the balance of power in Southeast Asia.

This change, if Sukarno can pull it off, will be a major triumph for Russia, a major disaster for the U. S. Sukarno leans on Russia for arms, on Indonesian Communists for political support. And the Reds are taking their pay in influence, as Sukarno builds his empire.

The Indonesian plan of action calls for swift take-overs of vast territories. The pattern is already clear.

First step involved Dutch New Guinea.

By invading the island colony by air and sea, threatening a bigger war, and enlisting U. S. support for his claim, Sukarno got a promise last July 31 that West New Guinea would be his by May 1, 1963.

Through last autumn Sukarno exuded peace, good will. Like many a dictator before him, Sukarno said publicly that Indonesia had no further territorial ambitions: "We are not imperialist expansionists, thirsty for territory."

Suddenly, in December, everything changed. Sukarno then made the first moves toward getting Britain's portion of the island of Borneo, already two-thirds Indonesian.

Sukarno first tried Brunei. He backed



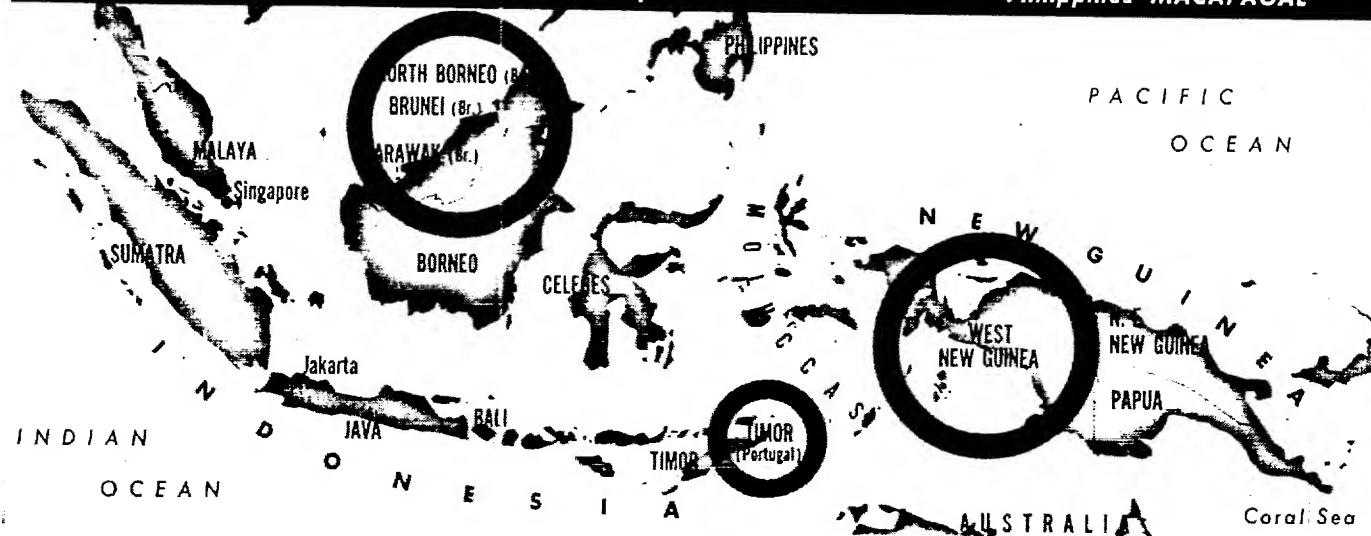
Indonesia's SUKARNO



Malaya's RAHMAN



Philippines' MACAPAGAL



Sukarno of Indonesia won West New Guinea from the Dutch, expects to take Portugal's half of Timor when he wants it, but finds hot competition for Britain's real estate on Borneo. Malaya's Prime Minister Rahman plans to

bring Sarawak, Brunei, North Borneo, Singapore and Malaya into a new federation, Malaysia, by August. President Macapagal of the Philippines claims North Borneo. And Britain is set to fight to keep Sukarno from a new grab.

a military rebellion there, helped spread rebellion to Sarawak and North Borneo. Britain flew in troops from Singapore, crushed the revolt easily. Most rebels fled into Indonesian Borneo, from which many of them had come.

"Eager volunteers." The Indonesian President showed no sign of giving up his bid for British Borneo. On the contrary: In Jakarta, the capital of Indonesia, officials claimed that 40,000 "Borneo rebels" were still fighting the British. Also in Jakarta, it was announced that 30,000 "Indonesian volunteers" were already in Indonesian Borneo eager to join "the war of liberation."

Britain reacted swiftly as January ended. British troop reinforcements were flown to Brunei from Singapore. Royal Air Force planes stepped up their patrols on the border of Indonesia's part of Borneo. In London a brigade of 2,000 British strategic reservists were on alert for an airlift to Southeast Asia.

Indonesia stepped up the military pressure. The Indonesian Army's Chief of Staff flew to Indonesian Borneo while

rebel leaders from British Borneo assembled in Jakarta.

Alarm spread fast through Southeast Asia. Malaya's leader, the Tengku Abdul Rahman, told Sukarno: "Keep your hands off Malaysia." Tengku Rahman has a plan to unite Malaya, Singapore and the three British territories of Borneo into a single Federation of Malaysia by August of this year.

In Manila and in talks with the British in London, the Government of the Philippines further complicated the picture by claiming North Borneo for the Philippines. But the Filipinos and the British were talking out their differences in London, not fighting.

Americans: alarmed. U. S. military men in this part of the world are particularly alarmed by Sukarno's move toward Borneo. Reasons for this alarm show in the dispatches these Americans are sending to Washington.

Sukarno's Indonesia now controls most of the strategic sea and air routes around the island rim of Southeast Asia.

This growing power is massively

armed by Southeast Asian standards. Most of the new arms are Russian, turned over to Indonesia by an eager salesman, Nikita Khrushchev of Russia, in exchange for cash, trade or promises to pay.

Turn to adventure. Boss of Indonesia, Sukarno, is a man of vast ambition and ego. He has turned away from the enormous problems of the nation's wobbly economy to take on the exciting and dangerous task of acquiring still more territory. His empire already sprawls across 2,700 miles of ocean.

On his native island of Java, still the overcrowded home of most of Indonesia's 100 million people, Sukarno leans heavily for political support on the Communist Party of Indonesia, by long odds the best-organized political group in the country. Indonesian Communists, like the Russians, encourage Sukarno's empire building.

Territorial expansion now is taking Sukarno's Communist-equipped and Communist-supported armed forces into

(continued on next page)

INDONESIAN TROOPS, heavily armed, are part of the show of force Sukarno uses to bolster his dreams of empire

—Wide World Photo



[continued from
preceding page]

NEW "SEA OF TROUBLE" IN ASIA

an area vital to U. S. interests. If Sukarno got North Borneo, his Indonesian flag would fly only 18 miles from the territory of the Philippines, a close military ally of the U. S.

Also, if Indonesia moves into British Borneo, then Indonesia's Soviet-supplied fighters and bombers will dominate the southern half of the South China Sea, just as Red China dominates the northern shore of that Sea. The U. S. must cross the South China Sea to get its military aid into South Vietnam for war against Communist-led guerrillas.

Concern of military. All this, as U. S. military men see it, adds up to a very real threat to the U. S. position in this part of the world. You hear U. S. Navy, Army and Air Force officers who know Formosa, the Philippines and Vietnam express concern lest the Government in Washington fail to recognize the threat. Feeling here is that Britain might well lose Borneo to Sukarno just as the Dutch lost New Guinea.

Sukarno today gives every appearance of a "man in a hurry." He is worried by deadlines already set.

The United Nations now is "caretaker" of West New Guinea. A U. N. Army, composed mainly of Pakistani troops, plans to hand over West New Guinea to Indonesia on or about May 1.

Sukarno has asked the U. N. to deliver West New Guinea to Indonesia right now. The U. N. is looking into his request. But Britain and other members of the U. N. feel that Sukarno is merely anxious to move into New Guinea before he begins an all-out military operation against British Borneo.

Malaya's Tengku Rahman and the authorities of Sarawak, Brunei and North Borneo plan to get the Malaysian Federation going about August. After this Federation becomes a fact, Sukarno's talk of "liberating" the British Borneo territories will sound rather empty, since the Federation itself will be run by Malaysians, not by Europeans.

Sukarno's worry. What worries Sukarno now is that the U. N. might decide Indonesia is "unfit" to run West New Guinea if the Indonesians get involved in an attack on British Borneo. Sukarno also fears that British Borneo might get away from him and into the new Federation of Malaysia unless he acts fast.

If it does come to a war over Borneo the Indonesian leader will have much in his favor. Thanks largely to Khrushchev, Indonesia has a Navy and Air Force with real striking power.

Russia has sent Indonesia about 100 MIG-15, 17 and 19 jet fighters plus at

least a dozen long-range MIG-21 jets. Also in Sukarno's Air Force are 20 IL-28 jet bombers and at least 10 TU-16s. The TU-16 is a jet bomber with a range of nearly 5,000 miles.

Pride of the Indonesian Navy is a 19,000-ton cruiser of the *Sterdloc* class. This warship, as well as two *Riga*-class frigates also supplied by Russia, has missile capability. In addition, the Indonesian Navy has 20 submarines, a dozen of them long-range Soviet vessels, plus seven modern destroyers.

The Indonesian Army of 350,000 regulars has amphibious tanks, artillery carriers and at least one battery of Soviet ground-to-air guided missiles. There are both Russian-made and U. S.-made sea and air troop transports to move Indonesia's soldiers to war.

Motive for Sukarno. Indonesian officials, obedient to Sukarno's will, already talk about applying a policy of "confrontation" toward the British and Malaysians over Borneo. Lest there be doubt about just what the "confrontation" policy means, this was how Sukarno described his technique for getting Dutch West New Guinea. Selected paratroopers and guerrilla-warfare specialists from Indonesia's armed forces are pushed into the areas Sukarno wants. They "confront" the owners of the real estate whether Dutch in New Guinea or British in Borneo—with force.

Why does Sukarno want British Borneo? The three territories, Sarawak, Brunei and North Borneo, have pretty much what the rest of Indonesia's scattered is-

lands have—oil, rubber, copra, timber and great undeveloped wealth in minerals and raw materials.

Most observers here believe Sukarno wants British Borneo "because it's there"—because the Indonesian leader would rather dabble in empire building and world power politics than face his real troubles at home.

When experts are fired. Indonesia is deep in economic troubles, largely because of mismanagement—or no management.

Oil, normally the No. 2 export item, is doing well in the hands of British, Dutch and U. S. producers and marketers. Rubber, though still No. 1 export of Indonesia, is falling off fast, like tin. Dutch technicians were ousted long ago and Indonesian administrators failed to maintain rubber plantations or tin dredgers. All through the Indonesian economy there is a pattern of mismanagement, inefficiency and inexperience.

Sukarno's Indonesia owes the Soviet Union about 1 billion dollars—mainly for arms. Even the arms-happy Sukarno is worried about this one-sided bill and has shown signs of cutting down on arms buying. The combined debts of Indonesia to Western nations may total another billion dollars. Funding of these debts now eats up nearly one quarter of Indonesia's annual earnings of foreign exchange.

Inside Indonesia, and particularly on Java, Sukarno's personal prestige and popularity with the masses remain high. At 61 the President still is a spellbinder, capable of swaying great crowds as the self-styled "Bung (Brother) Karmo, Tongue of the Indonesian People." Again and again in crises past he has told his people, "We don't care about international opinion." That is still Sukarno's theme today.

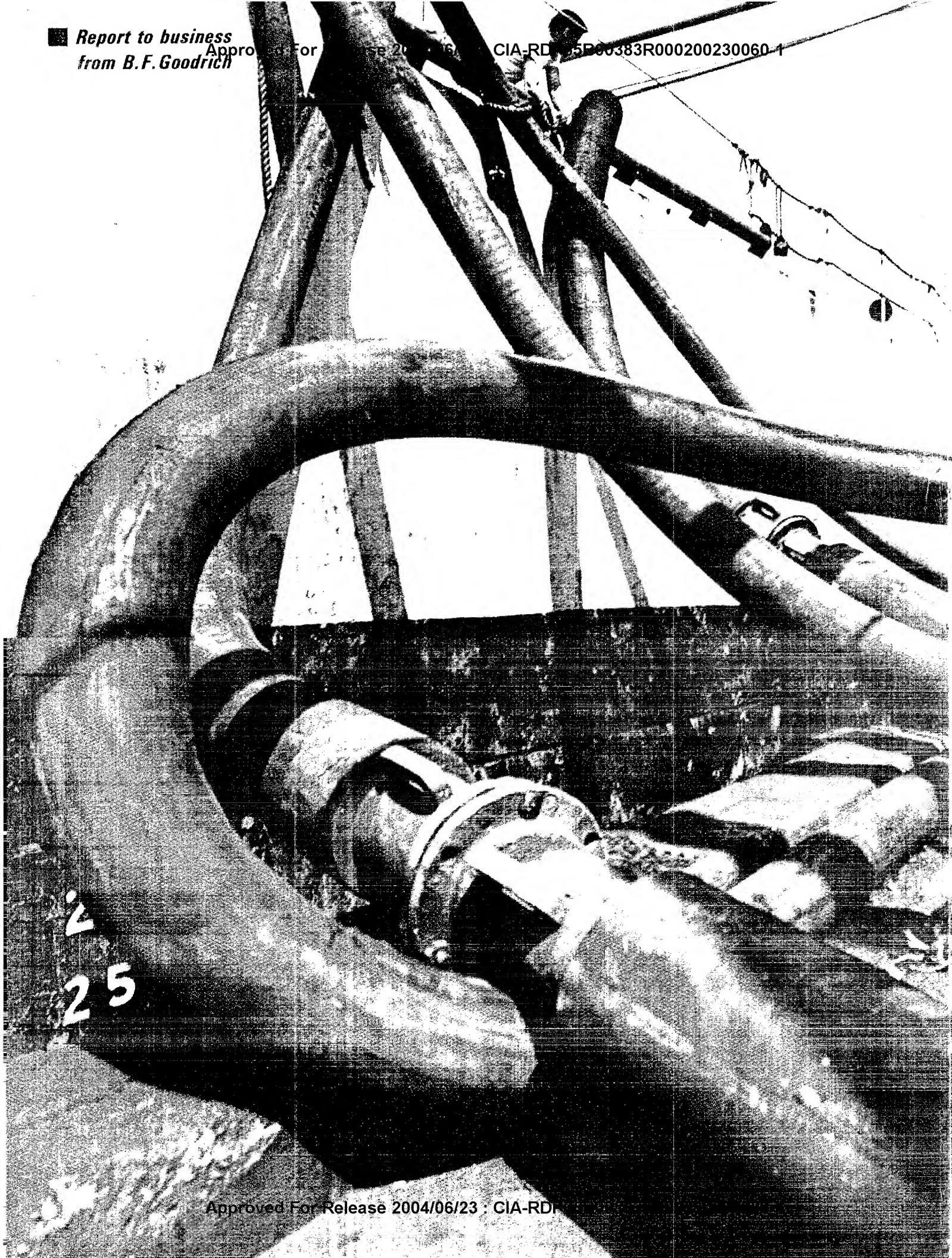
Reputation: ruthlessness. Outside Indonesia, Sukarno has earned a reputation among neighbors and Westerners of complete political ruthlessness. He considers Malaya a "lost province" of Indonesia and scorns the Philippines, which he considers dominated by the U. S. For Sukarno and many of his followers, all of Southeast Asia is no more than the tail to the Indonesian comet.

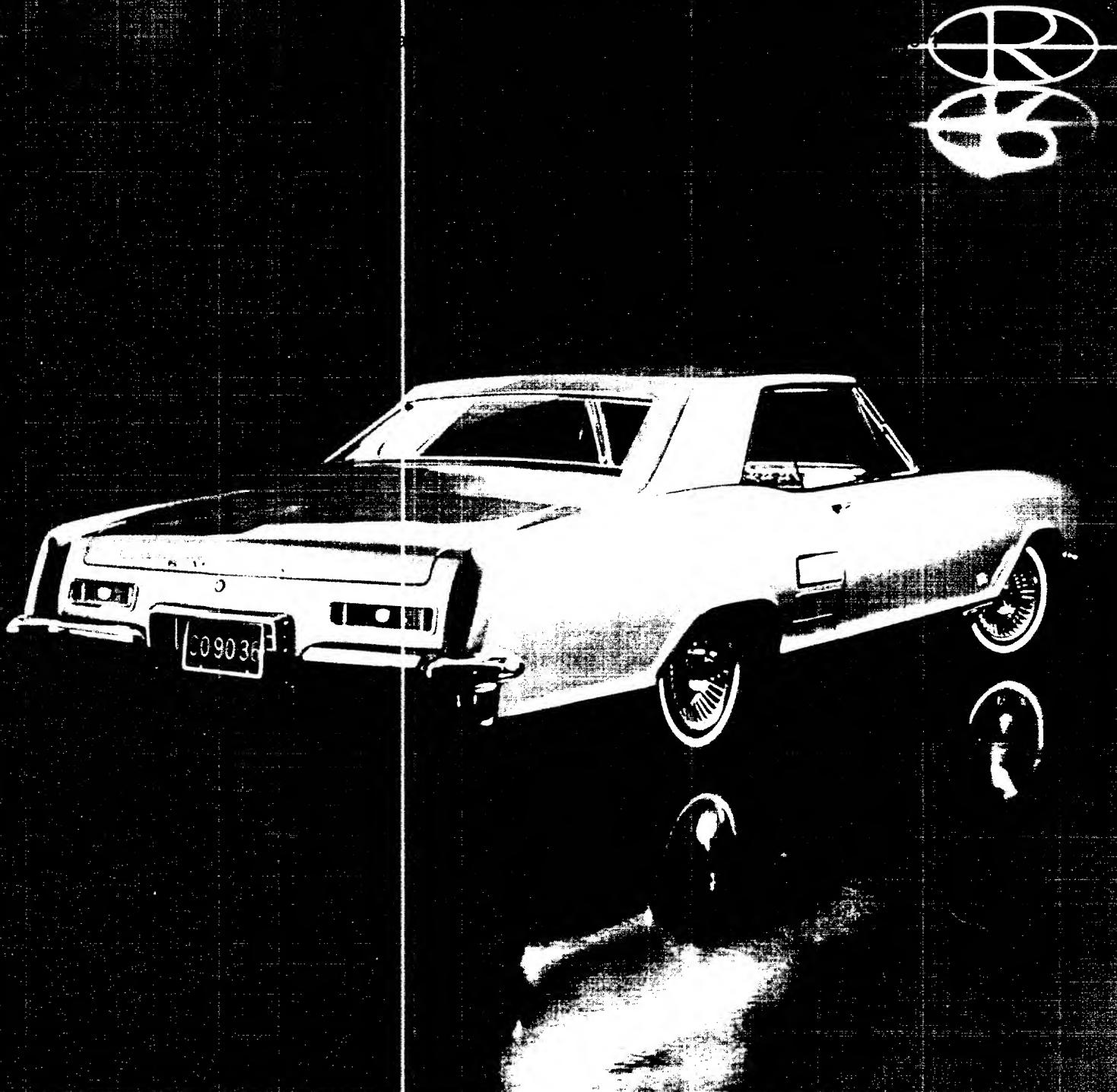
Everywhere in Southeast Asia today you find deep concern over the unpredictability of Sukarno's will, his plans to use his power and his vaulting ego. At this time and for the immediate future Sukarno appears to be the main source of trouble in this part of the world. As such, Sukarno helps Russia and the Communists, hurts the U. S.

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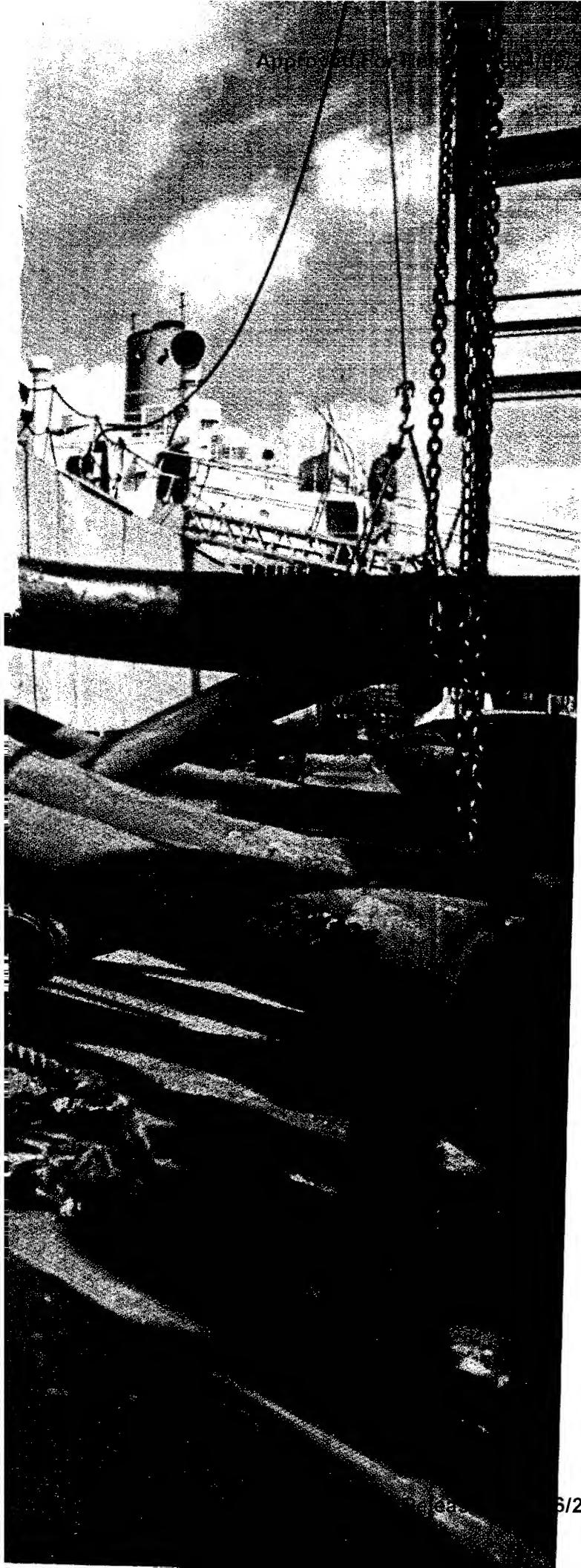
Wide World Photo
SUKARNO holds crowds spellbound by hurling defiance at nations opposing him





THE ROLLING STONES

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BFG to the rescue when rubber throats choked up

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The **hose strangled** on some of the stuff it had to handle. Benzene and toluene, for example. These petrochemicals attacked the inside of the hose. They made the rubber swell and blister, then buckle and crack. Before long, the hose had to be replaced.

Then BFG engineers went to work on the problem. They analyzed and evaluated scores of ingredients, experimented with many rubber compounds, and made dozens of tests. The outcome? An entirely new compound for the hose lining. But BFG product improvement didn't stop there. The rest of the hose was redesigned, too. Using nylon cord instead of stiff fabric made the hose stronger, yet about 20% lighter and noticeably more flexible. The big question: How would the hose react in service?

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FROM THE CAPITALS OF THE WORLD

PARIS....MADRID....WASHINGTON....LEOPOLDVILLE....SALISBURY....

»» Looks like a bad winter for people with "grand designs."

President de Gaulle has blocked--possibly wrecked--President Kennedy's "grand design" for an Atlantic community with U.S. in the driver's seat.

Simultaneously, De Gaulle knocked galley-west Prime Minister Macmillan's "grand design" to make Britain a major power on the continent of Europe.

»» Then, while all this was going on in the West--

Khrushchev's "grand design" of a Communist empire, with himself in charge, fell apart when Mao Tse-tung refused to take any more orders from Moscow.

Castro, in addition, shows signs of bucking Khrushchev's "grand design." Castro wants to launch one of his own for the conquest of Latin America.

»» Sukarno is another with big ideas. His latest "grand design" (see page 46) threatens islands and sea lanes vital to the Philippines and Southeast Asia.

Nehru is in the market for a new "grand design." His old one--a neutralist bloc headed by himself--collapsed when Red China swept into India.

Nasser has revived his "grand design" of an Arab empire. But this time he is moving cautiously, sending troops into Yemen first, maybe Saudi Arabia later.

Nkrumah of Ghana is not to be overlooked, either. His ambitions appear to involve a very large chunk of Africa, with himself at the controls.

»» It's doubtful how far the minor-league "grand designs" will get. Big powers, if they will, can upset the plans of a Castro or a Sukarno.

De Gaulle is something else again. He plays in the major leagues. Critics can't see how Europe can go it alone without U.S. to defend it, as De Gaulle's "grand design" implies, but many Europeans are willing to overlook this point.

Vision of a Europe for Europeans--free of U.S. leadership, with American investment and influence sharply reduced--has its appeal in Europe. It may be De Gaulle has chosen just the right psychological moment for an anti-U.S. move.

»» For example: The Paris weekly "Express," often critical of De Gaulle, on January 31 asked if it wasn't about time U.S. got out of Europe.

Here's the way "Express" reasons: "Times have changed. Now it is not so much the Communists, but first of all, and much more strongly, the big bankers who are indignant about American investments in Europe...Since the Cuban affair ...the Americans and the Russians have understood that nothing...is more important than to avoid nuclear war....Today the great alliance...is that of Moscow and Washington, to impose atomic peace on the world. They can only do it together, keeping for themselves the power of decision...."

In other words: De Gaulle is justified in opposing U.S. in Europe if U.S. and Russia are about to make the big decisions for the world, including Europe.

»» A De Gaulle-Khrushchev "deal," then? It's just a rumor, that's all.

Actually, what De Gaulle is busy doing now is making preliminary moves to pull the countries of Western Europe closer together--with Paris as the hub.

Overtures have gone from Paris to detach Denmark and Austria from Britain's trade group, the "Outer Seven." These overtures are on the economic front.

On the military front, De Gaulle is sending a mission to Franco's Spain. The reason: De Gaulle regards Spain as "Europe's rear guard," therefore to be tied into De Gaulle's concept of European defense. So, high-ranking officers from Paris are going to Madrid to plan co-operation with Franco's armed forces.

Timing of this French mission can be expensive for U.S. It is just about to renegotiate agreements with Franco for U.S. bases in Spain. Franco may be encouraged by De Gaulle's sudden interest in Spain to raise the ante for U.S.

Probably this wouldn't bother De Gaulle. He has begun work on his plan to push U.S. out of the Continent, make it a Europe for Europeans only.

»» The Congo is relatively quiet. Now trouble is brewing elsewhere in Africa.

Battle lines are being drawn between black-controlled Northern Rhodesia and white-controlled Southern Rhodesia. Britain is giving up its attempt to tie them together. As a result, the remaining white governments in Africa will tend to close ranks against a rising tide of African nationalism moving south.

A white alliance is talked of. Likely members: South Africa, Portuguese Angola and Mozambique, plus Southern Rhodesia.

By cable from Salisbury: "White attitudes are hardening all along the line. Blacks north of the line have the support of most of Africa, plus that of U.N., maybe U.S. as well. The pressure on white-run southern Africa is mounting."

»» At the United Nations, diplomats got a sample of what is to be expected from De Gaulle's France from now on out. De Gaulle dropped a monkey wrench into the machinery by which the U.N. hoped to pay for its armies abroad.

U.N. bonds, you remember, were issued to pay the costs of keeping U.N. forces in the Congo and in the Mideast. U.N. members would be billed for a fair share of principal and interest on these bonds. But.....

De Gaulle refused to pay the French share. Only \$300,000 was involved, out of more than 5 million dollars, for the French share of U.N. costs. French argument is that France doesn't think a U.N. Army should be in the Congo and therefore won't pay. Russia, others are likely to follow De Gaulle's lead.

Who then will back up U.N. bonds? U.S. has done most of it so far.

»» U.N. military operations in the Congo, said Secretary-General Thant, are now at an end. The door is open, he said, for foreign aid to the Congo.

Almost as a postscript to this announcement came another from Congo where U.N. experts are looking into the Katanga National Bank. Books examined showed 2.8 million dollars in hard currency. Amount actually found in the bank's vaults: \$116.28. Shortage is "under investigation."

Things like this Katanga incident make dispensers of aid uneasy. Natural fear is that the open door for Congo aid may turn out to be a swinging door, one that lets the aid go out about as fast as it comes in.

WHAT DE GAULLE SEES AHEAD

Why did De Gaulle slam the door to Europe on Britain?

From those close to him: The French President is looking far into the future. He sees changes coming—in Russia and in the U. S. So his goal is to build a "Europe for the Europeans."

PARIS

Charles de Gaulle, in the aftermath of his victory in repelling Britain's bid to join the European Common Market, is described as being "serene."

France's President is said to be confident that the crisis he set off will die down with time; that the Common Market may shudder but will not break up. In the end, De Gaulle feels, his position will be recognized as right and necessary for the creation of a truly united Europe.

Many people ask: "Why does De Gaulle seem bent on shattering the very unity in Europe that he claims to be working toward?" The answer you get from officials close to him is this:

"You must understand that De Gaulle is not a wily politician. He could have let the negotiations in Brussels drag on indefinitely until Britain was forced to break them off. There still were enormous difficulties to solve which we believe were insurmountable for Britain at this time. But De Gaulle decided to end it. That's his style—attributable, in part, to his military background."

French officials emphasize that De Gaulle is not excluding Britain from the Common Market for all time. In his view, however, Britain is not ready economically or politically to participate without reservations in the building of the Europe that he has in mind.

Moreover, he is convinced that Britain will not be ready for Europe until the British break off their "special relationship" with the United States.

Pique over missiles. Britain's "special relationship" with the U. S. took on new meaning for De Gaulle when Prime Minister Macmillan at Nassau last December agreed to accept American Polaris missiles and put its own nuclear weapons under the North Atlantic Treaty Organization. De Gaulle was quoted recently as saying: "Britain has agreed to turn its nuclear force into the hands of the U. S. She could have given it to Europe. Well, she has chosen."

Those close to the French President

say he was struck by the fact that on a vital matter of defense Britain made a long-term commitment within a few days. Yet, Britain had been haggling on economic matters in the Common Market negotiations for 16 months without, in French eyes, much progress being made.

Observers here get the impression that De Gaulle somehow expected Britain to offer to work with France in the creation of a purely European nuclear force outside NATO. When Macmillan, instead, chose to intensify co-operation with the U. S. in the nuclear field, De Gaulle decided to act.

There is an economic side to the French position, too. Long before Britain made the Polaris deal with the U. S., French officials frankly said they preferred that Britain enter the Common Market at a later date. The reason: The sudden arrival of Britain, followed by other candidates, would in the French view wreck the careful structure of economic integration.

French spokesmen talk about the "dilution" Britain's entry would have

caused in Europe. Thus, De Gaulle feels himself to be the defender of Europe against a Britain which would have been nothing more than a "Trojan horse" of American economic and political domination.

The upshot is that De Gaulle expects Britain to enter a period of great difficulty. He foresees a Labor Government returning to power—only to fall in a few years, proving that there really is no workable alternative to joining Europe. Then, as De Gaulle sees it, a government headed by progressive, young Conservatives would emerge—capable and willing to transform Britain and take it into a united Europe.

A U. S. withdrawal? Behind all these Gaullist predictions is a long-range vision—10 to 15 years ahead—of the way the world is moving. De Gaulle believes it inevitable that the U. S. will sooner or later disengage from its commitments in Europe. He believes the NATO alliance, created in 1949, is completely out of date. Since then, the whole power relationship between Europe and the U. S. has changed.

De Gaulle has long insisted that Russia will become more moderate, so that some kind of East-West agreement will become possible. That's what he means when he talks of a Europe "from the Atlantic to the Urals."

Will De Gaulle now make a deal with Russia's Khrushchev? French officials point to his rigidly anti-Communist record, his support of the U. S. on Cuba, his opposition to concessions to the Russians in negotiations on Berlin. He hasn't changed, these officials say.

It's often asked where the U. S. fits into this Gaullist picture. The answer is that first priority in De Gaulle's mind is to get rid of American influence on the Continent so that Europe "can make itself." But he reportedly favors an alliance with the U. S. as long as it's understood that Europe—under French leadership—is free to go its own way.

Right now, De Gaulle faces isolation. He does not believe it will last. If only for geographical reasons, not much can be done in Europe without France.

For the immediate future there seems to be little that the U. S. can do to dissuade De Gaulle. He regards U. S. efforts to form an Atlantic community as the "kiss of death" for a truly independent Europe. If and when anyone can change De Gaulle's mind, it will be Europeans, not Americans.

More on De Gaulle, page 53.

IF IT'S ROCKEFELLER VS. KENNEDY IN 1964—

Politicians already are counting the 1964 vote, State by State. They agree that Governor Rockefeller has a tall job ahead if he is to unseat President Kennedy. This analysis of trends in key areas shows why.



—MAGNUM PHOTO

BEST BET for the Republican presidential nomination in 1964: Governor Nelson A. Rockefeller of New York. But it's almost certain that a fight will develop.

More and more it's being taken for granted that in 1964 the race for the Presidency will be between: Nelson A. Rockefeller of New York for the Republicans and John F. Kennedy of Massachusetts for the Democrats.

President Kennedy will be renominated without challenge. Governor Rockefeller's victory at the Republican Convention will not come so easily.

Richard M. Nixon appears to have removed himself from the running. Governor George Romney of Michigan and Governor William W. Scranton of Pennsylvania have a scant year and a half in which to establish themselves, and Mr. Romney in 1964 will have re-election problems of his own.

That leaves only one Republican who might have a chance to challenge Mr. Rockefeller for the nomination. He is Barry Goldwater, the "conservative" Senator from Arizona.

Senator Goldwater, however, comes up for re-election to the Senate in 1964. Under Arizona law he may not run for both the Presidency and the Senate.

Many Republicans keep referring to the Arizona Senator as the "ideal vice-presidential nominee." Senator Goldwater, however, has said flatly that he is not interested in second place on a Rockefeller ticket.

A party trend? Meanwhile, there are stirrings within the Republican Party which suggest to many of its leaders that a "conservative" trend may be running within the party.

Opposition to foreign aid is growing. There is little enthusiasm for constant expansion of Government spending, with budgets—and deficits—that do not stop increasing. Public opposition to big, long strikes seems to offer an issue to such a "conservative" as Mr. Goldwater.

The Senator has cultivated the "conservatives" of the South. Reportedly there is much support for him there and in the Border States. Goldwater enthusiasts think that, running against President Kennedy, the Senator might pick up 125 or so electoral votes in those areas.

They see additional votes to be had in New England, the Middle West and Mountain areas. But even if the Senator should score heavily in these States, as neutral observers see it, he still would be short of the 270 electoral votes needed to win the election.

"Big" States. The consensus is that Senator Goldwater would have to score in several of the big industrial States, with large electoral totals. It is in these States that Mr. Kennedy is strongest.

All this, in any event, is conditioned upon Senator Goldwater's winning the nomination. Here, general opinion is, he would run into a formidable obstacle.

The Republican Party and its conventions came under the control of Republican "liberals" with the nomination of Wendell L. Willkie in 1940. Thomas E. Dewey and Dwight D. Eisenhower defeated Senator Robert A. Taft. Richard M. Nixon became acceptable to the "liberals" and, in 1960, he adapted his program—over Mr. Goldwater's objections—to the ideas of Mr. Rockefeller.

The latter now is acceptable to the "liberals" and also to numerous "conservative" party leaders who might actually prefer Senator Goldwater, but see the New York Governor as the more probable winner.

Totting up figures. Those close to Mr. Rockefeller, and the Governor himself, are busy figuring out a combination of States that would give him the needed 270 electoral votes.

Usually, they begin with Mr. Rockefeller's own State, New York. It has 43 electoral votes, biggest of all. The Governor, of course, is well known. He has been elected twice there.

Now the Democratic organization in New York City is in disrepair, torn by internal feuding. The Republican organization is firmly based on the party's control of the State government.

Nevertheless, the expectation that Mr. Rockefeller would win in New York is firmly disputed in knowledgeable political circles. The State will be one of the great battlegrounds of 1964.

Next, Rockefeller strategists turn to Pennsylvania and its 29 electoral votes. Mr. Kennedy carried the State in 1960 by 116,326 votes, getting 51.2 per cent of the total cast—a close result.

Governor Scranton replaced a Democratic predecessor last autumn. This gives the Republicans an opportunity to beef up their organization with extensive State patronage. Democrats are feuding in Philadelphia, and a blowup is expected. Pennsylvania will be another battleground of 1964. With New York and Pennsylvania, Mr. Rockefeller would have 72 electoral votes.

In Ohio, the Rockefeller forces have
(continued on next page)

Watch these five men when Republicans mobilize for the presidential-election campaign next year. They are expected to play key roles at the party's Convention and in the ensuing struggle to defeat President Kennedy.

ARIZONA'S Senator Barry Goldwater, right, who may be in contention for the presidential nomination. His main strength lies in the party's "conservative" wing.



—USN&WR Photo



—USN&WR Photo

MICHIGAN'S Governor George Romney. He could give the party's cause a lift in his pivotal State.

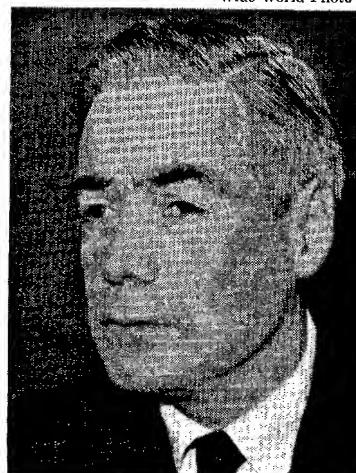


—USN&WR Photo

CALIFORNIA'S Senator Thomas Kuchel, now being talked about as a vice-presidential possibility if Rockefeller gets the top spot.

PENNSYLVANIA'S Governor William W. Scranton could develop into a dark-horse presidential candidate. Mr. Scranton is popular, has a big and powerful party organization in his State.

—Wide World Photo



OREGON'S Governor Mark O. Hatfield, below, is discussed as a vice-presidential possibility. He could help with the Western vote.

—Wide World Photo



[continued from
preceding page]

IF IT'S ROCKEFELLER VS. KENNEDY—

every reason to expect a victory. The State has 26 electoral votes. Richard M. Nixon carried Ohio by 273,363 votes in 1960. Last year a Republican defeated the incumbent Democratic Governor, giving the astute Republican State chairman, Ray Bliss, a base for strengthening his already strong organization. Add Ohio, and the Rockefeller total is 98.

President Kennedy took Illinois in 1960 with a bare margin of 8,858 votes. The big-city organization of Richard J. Daley in Chicago has weakened. Republicans are confident about 1964. The State has 26 electoral votes, which would give the Governor 124.

Problem States. Rockefeller forces are aiming somewhat uncertainly at a prize of 21 electoral votes in Michigan. To win they would have to defeat the determined efforts of the United Automobile Workers and the AFL-CIO. With

Some suggest that Mr. Rockefeller might help himself by making Senator Thomas H. Kuchel, a popular figure, his vice-presidential running mate, or by turning to Governor Mark O. Hatfield of neighboring Oregon.

California went to Richard M. Nixon by 35,623 votes out of more than 6.4 million cast in 1960.

These six big-city States will cast a total of 185 electoral votes in 1964. In all except Ohio and perhaps Illinois, there are serious doubts that Mr. Rockefeller can defeat Mr. Kennedy.

It is in these States that Mr. Kennedy perhaps is strongest. The electorate includes millions of low-income voters, labor, Negroes, people of the Jewish faith, ethnic minorities to whom the President's appeal is strong. There also are many Roman Catholics. Politicians expect the latter to stand by the President,

On the West Coast, Oregon, with 6 electoral votes, has Republican tendencies in national elections. Washington State, 9 votes, veers from side to side. Hawaii, 4 votes, went Democratic in 1960, and Alaska, 3 votes, went Republican—both by a hair.

Even if Mr. Rockefeller should take all six big-city States, the smaller States credited to him would leave his total a little short of the 270 needed for a majority in the Electoral College. He would look to the South and the Border States to make up the deficiency.

South: an enigma. What the South might do in 1964 is a politicians' enigma. Southerners like neither Mr. Rockefeller nor Mr. Kennedy because of their emphatic stands on Negro rights.

Nevertheless, expectations are that Virginia, 12 votes, and Florida, 14, might go to Mr. Rockefeller, with the possible addition of North Carolina, 13 votes. This would put him over.

Politicians say that Mr. Kennedy could count on Georgia and Arkansas and that the Catholic vote makes him formidable in Louisiana. They also see his strength growing in Tennessee, which he lost in 1960—mainly, politicians think, on the religious issue. Texas now is generally credited to Mr. Kennedy. The Texas Poll of January 20 gives Mr. Kennedy 60 per cent, Mr. Rockefeller 29, with 11 per cent undecided.

Along the border, Mr. Kennedy is reported well entrenched in Maryland and West Virginia and gaining strength in Kentucky and Oklahoma.

Politicians, studying these figures, think one conclusion is obvious: To win, Mr. Rockefeller must score somewhat heavily in the six big-city States where the going is toughest for him and the power of the Presidency is greatest.

For issues, Mr. Rockefeller is criticizing Government secrecy in the Cuban situation and the President's stopping of bomb tests. He agrees with most of the New Frontier social programs, but he would insist that there be sufficient revenue to finance them. This attracts "conservative" support.

Bets now: on JFK. Whether this would be enough is sharply questioned in many political circles. In this century only two first-term Presidents seeking a second term have been defeated. William Howard Taft was beaten in 1912 by the Bull Moose split in the Republican Party, and Herbert Hoover lost in 1932, due to the depression. A change in the economic situation could alter forecasts. But, as of now, the betting is on President Kennedy.

[END]



—USN&WR photo

IN THE WHITE HOUSE, President Kennedy and Governor Rockefeller confer. Next year, they may be facing each other in the presidential election.

labor's help Mr. Kennedy took Michigan by 66,841 votes in 1960. Mr. Romney's victory, by 78,500 votes, last autumn was considered more personal than political. In the same election a Democratic Representative-at-large was elected. The consensus is that Mr. Rockefeller has his work cut out for him, but with Michigan his total would be 145.

In California, with 40 electoral votes, both sides will go all out. Opinions differ as to which will win, but are dominantly pro-Kennedy.

Mr. Rockefeller has problems in California, where he is not too well known. There is a continuing row between Republican rightists and those who are more to the middle of the road. The Democratic organization, despite some bickering, is anchored to the Democratic State administration.

while simultaneously the religious issue that hampered him in 1960 has receded.

There are States, however, to which Mr. Rockefeller can look more certainly for electoral support. On the basis of historical voting in presidential elections he could expect to win in New Hampshire, Maine and Vermont, with 11 votes, making his total 196.

In the Middle West there are Indiana with 13 votes, Iowa with 9, Kansas with 7, Nebraska with 5, the Dakotas with 8—a total of 42. Wisconsin, 12, and Minnesota, 10, would be less certain. Excluding the latter two, this would raise the Governor's list to 238.

In the Rocky Mountain States, Mr. Rockefeller might reasonably pick up 21 electoral votes in Colorado, Wyoming, Utah, Montana and Idaho, giving him a total of 259.

U. S. News & World Report

KENNEDY'S LATEST PLAN FOR AID TO SCHOOLS

What about the Kennedy Administration's omnibus education bill for '63—will it fare any better than last year's?

Here's a look at the latest multi-billion-dollar aid plan, item by item, and how it is being received in Congress.

As with his tax plan, President Kennedy has thrown into his school-aid plan just about every idea his advisers have been able to think up.

Many items of the President's school-aid program already are in trouble with Congress. Of two dozen—with a price tag of 5 to 6 billions over a three-year period—the big new item most likely to get approval is the one providing federal aid to build college classrooms.

Run down the list and you find few other school-aid ideas that are not in trouble. As key Congressmen see it—

Aid for teachers' pay. This one faces intense opposition because parochial schools would not benefit and for other reasons. Passage is highly doubtful.

Aid for construction. Together with teacher aid, this idea would cost 1.5 billions, making it the most costly of the new proposals. Federal money would help build public elementary and high schools in needy areas. Again, the religious issue is a factor. Parochial schools want to share. There's also pressure to tie on an amendment requiring integration in the new schools. Seems dead.

Help for equipment. Idea is to continue the present program of subsidy for science, mathematics and language-teaching equipment for secondary schools. Opposition unlikely.

Aid for impacted areas. Extension of a current program to subsidize public schools in areas inundated by military families and federal workers seems assured. Cost: 1.5 billions over four years. But proposed changes, including addition of Washington, D. C., to subsidy areas, are running into trouble.

Grants for junior colleges. Outright federal grants are proposed here, to pay up to half the cost of building and equipping new, two-year "community colleges." The idea has considerable support, but serious questions are raised as to why grants are involved instead of

loans, as in the case of four-year colleges. Uncertain as of now.

College building loans. Proposed are federal loans of up to 1 billion dollars over three years, to help finance academic buildings. Unless the religious issue blocks it, this proposal appears to have a good chance.

Loans to students. Idea is to expand by 50 per cent the present national de-

Has some chance, but considered too big a jump by many.

Technical schools. Donations of federal money are envisioned here, to pay half the cost of building, equipping two-year, college-level schools to turn out technicians in engineering, science and health fields. Relatively new idea, its reception still uncertain.

Aid for college libraries. A new Government subsidy is proposed to build libraries on campuses, stock them with books. Little reaction to this one.

Graduate-school grants. Federal donations here would cover half the cost of building or expanding university graduate schools. First response in Congress: Why not loans, like those proposed for undergraduate buildings?

Language centers. Proposed is a 50 per cent increase in a current program for language studies in colleges. Both public and private institutions eligible. Approval likely.

Community libraries. This one is a new idea: federal funds for new libraries in cities and towns across the U. S. No quick approval foreseen.

More extension courses. Off-campus education would be expanded by financing bigger extension-course programs by land-grant colleges, State universities. Such a plan got nowhere last year, has an uncertain outlook now.

Aid for adult education. Small federal grants are proposed for programs of education up to the eighth grade for adults. Crowded out last year, proposal now has a 50-50 chance.

Handicapped children. Grants of federal money would provide special training for teachers of deaf, blind, retarded and otherwise handicapped children. No real opposition; relatively little money involved.

Vocational education. Half again as much federal aid is proposed to spur vocational training. Not controversial at this time.

Teacher training. Several proposals are involved: (1) Direct payments to teachers to help pay for further schooling. (2) Grants to colleges to expand teacher-training facilities. (3) Some specialized training programs. (4) An expanded program to help prospective teachers finance their education. Prospects seem to be tied in with bigger school-aid programs, now in trouble in most cases.

[END]



CAMPUS ADDITION—Congress may approve loans to build college classrooms

fense student-loan plan. Fair chance of passage, unless talk of adding free scholarship grants adds controversy.

Insurance for bank loans. This plan—for federal backing to underwrite private loans from banks or colleges to students—has gotten nowhere in the past. Its chances of being approved this time are uncertain.

"Work and study" program. This is a new proposal. The U. S. would pay half of student wages for part-time campus jobs. Little enthusiasm sparked in Congress thus far.

Graduate fellowships. Idea is to increase the number of federal fellowships from 1,500 to 10,000 annually, and add 2,000 summer-session fellowships. Each pays \$2,000 to \$2,400 a year.



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SO WOULD A LOT OF OTHER THINGS. Taxes on profits of U.S. corporations provide our Federal Government enough revenue each year to pay the entire costs of operating the Departments of Agriculture, Commerce, Health Education and Welfare, Labor and State; plus the Atomic Energy Commission, C.A.B., F.H.A., Veterans Administration and the National Aeronautics and Space Administration.

WITHOUT PROFITS, all our nation's research and development on new and improved products would falter. In fact, practically every product your family uses owes its existence to profits. And every one of the 68½ million jobs in the country — public or private — is dependent on profits.

SO WHEN YOU'RE TALKING about our nation's economic growth and welfare, profit is not just a part of the system, it is the very foundation of the entire American economy. You simply can't have one without the other.



YOUR COMMENTS INVITED. Write: President, Union Oil Company of California, Union Oil Center, Los Angeles 17, California.

Union Oil Company of California

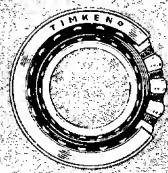
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Trend of American Business

2300 N Street, N.W.
Washington, D.C.

Business activity is climbing, but slowly. That's the latest report of the Commerce Department after scanning the record for December, early January.

People's income continues to show gains. In January there was a sharp jump because of payments of dividends on veterans' life insurance.

Rising incomes, however, are about the only sign of substantial advance.

Industrial production has been level for seven months.

Factory shipments of durable goods showed little change. Orders for durables, however, showed a dip in December.

Retail sales are running at a record clip but show few gains.

It's this sluggishness that the Kennedy Administration hopes to overcome by tax cuts and federal spending. Improvement will not come quickly, however, as a result of these devices, even if Congress approves.

Nonfarm employment in January totaled 61.7 million. That was down a little more than seasonally from the December total of 63.5 million. After seasonal adjustment, the Labor Department notes that nonfarm employment has shown little change since last May. That's another sign of sluggishness.

Unemployment in January was 4.7 million, against 3.8 million in December.

Rise in number of jobless was a little more than usual for the season.

Unemployment rate, seasonally adjusted, was 5.8 per cent of the labor force, against 5.6 per cent in December--not a great change.

Unemployment in January, 1963, was at the same rate as in January, 1962.

As far as the problem of the jobless is concerned, there was no improvement over the year. And little improvement is expected for the months ahead.

Total output in 1962 came to 554 billions, up 35 billions or almost 7 per cent from 1961. Output this year is estimated at 578 billions, for a gain of a little more than 4 per cent. That will not be enough to get the plant use, production and employment that the Kennedy planners want. Official view, in brief, is that economic sluggishness will not be corrected this year.

Moderate improvement in business is reported for January by the National Association of Purchasing Agents. That is about what was expected.

Production gained, but the purchasing agents said the advance slowed.

New orders, however, are reported by the purchasing agents to be running ahead of production. That's regarded as a healthy sign. Orders had been smaller than production for three months.

Order gains are a sign that plants will be kept busy in the future. Drops in the backlog often signal drops ahead in output.

Inventory trimming, which had been going on since June, came to a halt in January. The purchasing agents said that, while some 23 per cent of firms

(over)

reporting were still cutting back stocks, an equal number were building stocks.

Chances are that more inventory building will be done as industrial buyers begin to hedge against the possibility of strikes. Purchasing agents, however, still seem to be cautious in making forward commitments.

Construction industry continues at near-boom levels.

Total new construction in January ran at a rate of 62.6 billions a year, after seasonal adjustment. That was a gain of 1 per cent above December and 5.8 per cent above a year earlier.

Private building activity accounted for the January increase. The gain was sparked by a rise, seasonally adjusted, in residential building. Home building, in fact, was at a record for the month, 13.6 per cent ahead of a year earlier. Other private building also gained in January, after slipping for four successive months. Industrial building continued to decline.

Public construction dipped in January for the third successive month.

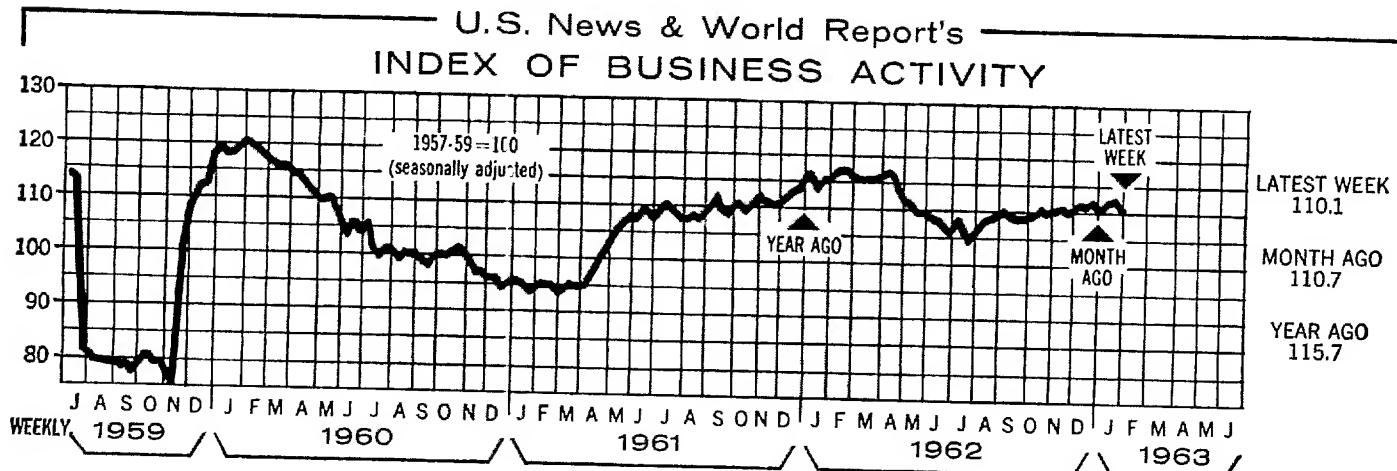
Activity in public building was down 10.6 per cent from the October record and 2.7 per cent below a year earlier. Drop in highway building accounts for most of the decline in public works.

Outlook is for declines in building activity over the next month or two because of the bitter winter. Return of milder weather should bring a large gain in public construction and perhaps a moderate upturn in housing starts.

Orders for cutting-type tools rose 10 per cent in December to the highest point in 13 months. Shipments in fourth quarter were the highest since 1957.

Bookings for fabricated structural steel also rose in December. The American Institute of Steel Construction reported the highest volume of orders since January, 1956. December shipments were high.

Rising orders for tools and structural steel may indicate that business firms are raising their sights on investments. If so, the improvement in general business activity this year may be greater than now is expected.



Sluggishness in the economy shows up on the latest chart of indicators. The base of the index has been changed from a 1947-49 average to a 1957-59 average. That lowers the index numbers on the chart, but does not affect trends.



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"SEAPORTS" FOR OKLAHOMA

A "seaway" through Oklahoma and space-age factories on the plains—they were part of Senator Robert S. Kerr's plans for his State. He reached many goals before his death. What he sought for Oklahoma—and got—is a saga of the new West.

Reported from OKLAHOMA and WASHINGTON, D. C.

This is the story of what one Senator was able to do for his State.

Senator Robert S. Kerr of Oklahoma had a dream. He saw a "prairie fleet" of barges plying up and down the meandering Arkansas River to give Oklahoma access to the sea.

Others before him had had the same dream. But Bob Kerr turned the dream into a real live project. Then he gave it enough momentum before his death on Jan. 1, 1963, to assure its realization.

By 1970, an inland waterway 500 miles long and 9 feet deep will be complete from the Mississippi River to a point near Tulsa, Oklahoma's second-largest city.

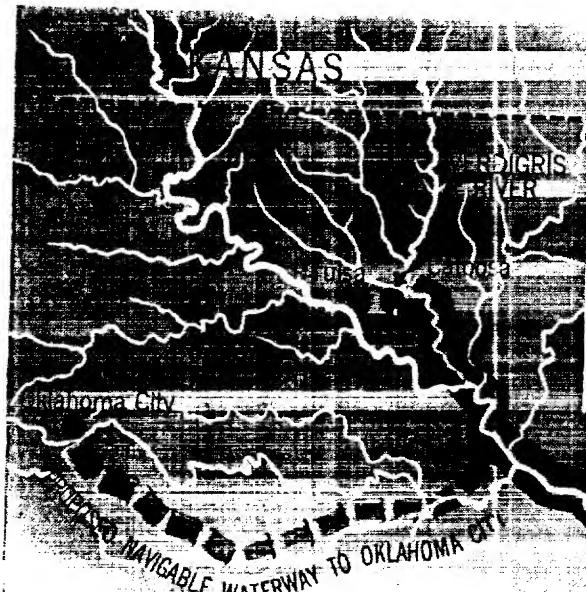
Total cost of the project will be at least 1.2 billion dollars, paid out of the U. S. Treasury. Senator Kerr's critics have said it would have been cheaper to pave the Arkansas River.

To these critics, the late Senator replied that the waterway would benefit the entire Arkansas River Basin, an area touching seven States and holding 8 million people. This region, said Senator

Kerr, would develop to rival such great industrial valleys as the Ohio in America and the Ruhr in Germany.

The Kerr project, once launched, grew in scope. At his urging, the Congress directed federal engineers to find a way to extend the inland waterway westward another 120 miles to the doorstep of Oklahoma City. A plan with this objective is soon to be recommended.

Nor was that all. The late Oklahoma Senator saw his State as a center of the space industry. The waterway would make that possible. The gigantic rockets and other "hardware" required for flights



OKLAHOMA

HOW OKLAHOMA WILL GET A GATEWAY TO THE SEA



Robert S. Kerr

Oklahoma's Senator Robert S. Kerr turned his dream of a waterway for land-locked Oklahoma into an assured reality before his death on Jan. 1, 1963. Completion to Cataosa, just east of Tulsa, is scheduled by 1970. Plans, too, are in the works to extend the waterway westward to Oklahoma City.



MISSISSIPPI RIVER

U. S. News & World Report

to the moon and beyond could be made in Oklahoma plants and moved down the waterway to any point in the "space crescent" taking shape along the Gulf Coast.

At the time of his death, Mr. Kerr was selling this idea to the space industry. One big space contractor, North American Aviation, Inc., opened a plant near Tulsa in 1962. On Jan. 8, 1963, the company bought 300 acres of land adjoining the inland-waterway port due to open in 1970. North American's planning is reported to be on a scale that eventually will employ 11,000 people.

The waterway, said an executive of North American, "will greatly enhance the capability of our Tulsa operations in the nation's space programs."

"Political power." What Robert S. Kerr was able to do for Oklahoma is a case history that shows how one Senator was able to tap the sources of political power in this country.

It all began when Mr. Kerr became Governor of Oklahoma in 1943. That year, the Arkansas River, swollen by rain, went on a rampage. While directing the cleanup, Mr. Kerr learned that a plan had been drawn up by Army en-

gineers to control the river and make it navigable.

Tactics. Mr. Kerr began beating a trail to Washington, urging Congress and the White House to get the Arkansas River plan rolling. In 1946, it was authorized by Congress.

But nothing had been done on the plan when Mr. Kerr won election to the U. S. Senate, in 1948. Then began the battle to get the project off the drawing boards and under construction.

First, Senator Kerr got assigned to the Rivers and Harbors Subcommittee of the Senate Public Works Committee. This Subcommittee decides on what public-works projects will be recommended to Congress. As a member, Mr. Kerr was able to start a trickle of appropriations into the Arkansas River plan.

In 1955, at the start of his second six-year term in the Senate, Mr. Kerr moved up to become chairman of the Rivers and Harbors Subcommittee. Now he was in a position to bargain with Congressmen from other States to get increased support for the Arkansas River work. In this so-called "logrolling," Senator Kerr proved to be a master.

Appropriations for the Arkansas River

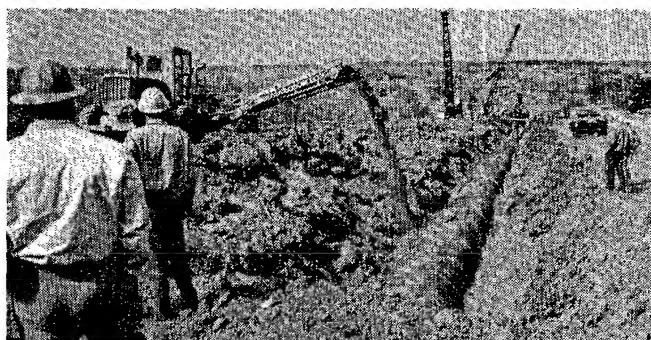
project tripled in 1956. By 1960, they had tripled again. By 1962, the project was being funded at the rate of more than 100 million dollars a year. The date for completion was moved up three years from 1973 to 1970.

Mr. Kerr saw nothing wrong with this exercise of political power. He once told a reporter for the Associated Press: "Every Senator and every member of the House represents one or more of our basic elements. That's what representative government is supposed to be. The sum total of those pressures working through Congress is the catalyst that produces our laws. I'm not ashamed of it. I'm proud of it."

In Senator Kerr's view, the Arkansas River project will prove to be a bargain for U. S. taxpayers. He was convinced that they would get their money back many times over from development of the region.

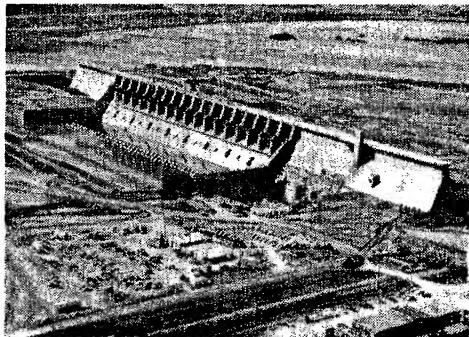
Source of energy. Among the resources of the Arkansas River Basin, he pointed out, is the greatest supply of energy fuels—oil, gas and coal—to be found anywhere in the U. S. The Government itself owns an estimated 1.7

(continued on next page)



Ambitious projects are assuring Oklahoma of water not only for navigation, but for cities and industries. Above, a pipeline 100 miles long to bring Oklahoma City water from southeastern Oklahoma.

Navigation of the Arkansas will be made possible by 11 major dams and 18 locks. Keystone Dam, right, is under construction upstream from Tulsa.



Map, above, shows how the Arkansas River navigation project will give Oklahoma and Arkansas access not only to the sea, but to other inland waterways. Grain can be shipped to the Gulf, steel can be shipped in from Pittsburgh. Any point in the Gulf Coast "space crescent" can be reached by water from Oklahoma.

[continued from preceding page]

"SEAPORTS" FOR OKLAHOMA

billion tons of coal under lands in Oklahoma. A Kerr aide says that the value added to these deposits by completion of the waterway will more than pay the cost of the whole project.

As shown on the map on pages 66 and 67, the waterway will tie the Arkansas River Basin into a growing system of inland waterways. That system now totals 30,000 miles, and traffic on it is booming.

The Arkansas River navigation channel is designed to handle the same kind of barge traffic now moving on the Mississippi, Ohio and other navigable rivers. In fact, the locks on the Arkansas will be 600 feet long, compared to the 400-foot length of those on the Ohio River.

Four "main stem" reservoirs and seven upstream reservoirs will chain the

Oklahoma City in 1964. He set up a schedule of appropriations to complete it along with the one to Tulsa by 1970.

When the waterway to Tulsa is complete, steel will move in from Pittsburgh at a saving of \$10 a ton. Fertilizer will move at a saving of \$2 a ton, and newsprint at a saving of \$4 a ton.

Oklahoma's produce will move to market at lower cost. The saving on a bushel of wheat will be 13½ cents, if shipped to New Orleans. Cost of shipping coal will be cut by \$1.25 a ton. Oil, too, will move at lower rates. But it was the prospect of a major role for Oklahoma in the space industry that had Senator Kerr and his fellow Oklahomans most excited.

When the Russians launched their first sputnik in 1957, Senator Kerr became a

the manned-space-flight center near Houston, the complex of rocket plants at New Orleans, the big test facility on the Pearl River in Mississippi, the launching pads of Cape Canaveral.

"Look us over." This was the picture, according to those who were close to the late Senator, that he sketched for executives of the space industry.

Said an Oklahoma City business leader: "I don't think a week passed that Senator Kerr didn't contact some decision-making man in industry. I've heard him on the telephone talking with an industry executive. He'd say: 'Why don't you come out and look us over?'"

Oklahomans did their part to back up the Kerr bid to the space industry. Civic leaders of Tulsa and Oklahoma City have recognized that it takes space-age brains to attract space-age industry. They are helping the two State universities—Oklahoma University at Norman, and Oklahoma State University at Stillwater—to build up their scientific and engineering schools.

Oklahoma City leaders have thrown their weight behind a plan to expand scientific education at Oklahoma City University. As part of this plan, they persuaded the Massachusetts Institute of Technology to take the Oklahoma City school under its wing. Now an MIT advisory committee is helping guide the Oklahoma City University plan.

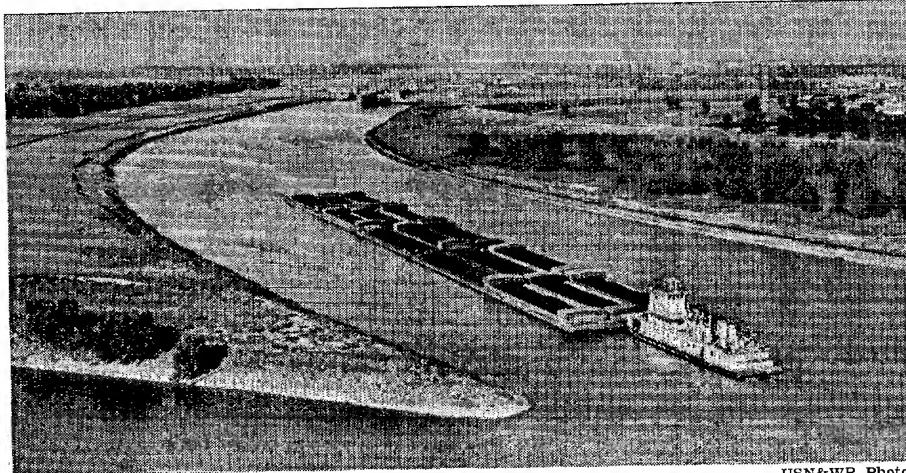
Tulsa businessmen have launched a drive to assist expansion of scientific education at the University of Tulsa, which has long been recognized as a leader in petroleum engineering and research.

At Senator Kerr's urging, many space-industry executives came to Oklahoma to look. Some of them obviously were impressed. Said the president of a research and development firm that recently located a plant in Oklahoma City:

"You may well realize that communities in this day compete for new industries much like our company seeks new products. Well, Oklahoma City won the competition, and I'll tell you why. You convinced us you have much to offer, both today and 10 years from today. Oklahoma City, I must say, has really done its space-age homework."

Threshold of an era. Senator Kerr, more than any other man, had put Oklahoma on the map. When he died, Oklahoma was on the threshold of a new era.

Oklahoma's population trend had been reversed. The State lost 4 per cent of its population between 1940 and 1950. Between 1950 and 1960, this was



—USN&WR Photo

BARGE TOW ON THE MISSISSIPPI—By 1970, similar barge tows will be able to ply the meandering Arkansas River, giving landlocked Oklahoma access to the sea

river, preventing floods and storing water to maintain a year-round navigation channel 9 feet deep. Minimum width of the channel will be 250 feet on the Arkansas and 150 feet on the Verdigris River, a tributary that will bring the waterway to Catoosa, just east of Tulsa.

The waterway is scheduled to be navigable to Little Rock, Ark., by 1968, and to Fort Smith, Ark., by 1969.

Also shown on the map is one of the routes under consideration for an extension of the waterway westward to Oklahoma City. The Army Corps of Engineers has been studying four possible routes and now is readying its final recommendations. Estimated cost of the extension of the waterway to Oklahoma City has been put at 550 million dollars.

Senator Kerr had planned to win approval of Congress for the waterway to

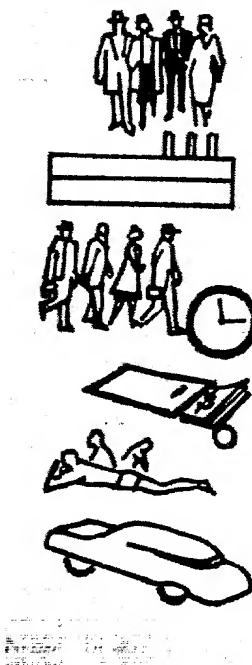
congressional leader in the effort to accelerate the American space program. He was named to the Senate Aeronautical and Space Sciences Committee which was set up in 1958.

Lyndon B. Johnson, then Senate Majority Leader, headed the Space Committee. By the time Mr. Johnson became Vice President in 1961, Senator Kerr moved up to assume a powerful role in the space program as chairman of the Senate Space Committee.

By then, the geographic pattern of the space industry had been shaped into the "space crescent" that arcs from Houston, along the Gulf Coast and over to Cape Canaveral, in Florida.

This suited Senator Kerr. As he saw it, the Arkansas River waterway would give Oklahoma access by water to all the important facilities in the "crescent"—

AS PLANNERS SEE IT— THE AMERICA OF 2000 A.D.



PEOPLE IN THE U.S.: 350 million, almost twice as many as today.

TOTAL OUTPUT OF THE NATION (in 1959 dollars): \$2,000 billion, about four times the present level.

JOBHOLDERS: 135 million, about twice today's number.

AVERAGE WORKWEEK: Around 31 hours, about 8 hours less than now.

AVERAGE FAMILY INCOME (after taxes, in 1959 dollars): \$14,750, about double today's income.

PAID VACATIONS: About 4 weeks per year, in major industries—double the present average.

TRAVEL: 11,000 miles a year per person, on the average, nearly triple 1960's pace.

Source: projections for the Outdoor Recreation Resources Review Commission

THE U.S. 37 YEARS FROM NOW—

It's to be a vastly different country by the turn of the century, just 37 years away: nearly twice as many people, producing four times as much, earning far more but working less. All this, and much more, shows up in a new official study.

A nation of 350 million people, turning out four times today's goods and services, working less and playing more, at double today's family incomes—that's the picture of the United States by the end of this century, as drawn in an official report just released in Washington.

Many of the facts, and predictions for the future, that underlie the thinking of planners in this country are made public in a February 5 report, which was compiled for the Outdoor Recreation Resources Review Commission.

By the year 2000, as planners see it, the U.S. will have a 31-hour workweek, month-long paid vacations as the rule, nearly three times as much travel, and 15 times as many families earning \$20,000 a year and up.

Government at all levels, the planners say, probably will be spending 3.5 times as much as now. Yet, because of higher revenues, budgets "will probably be in

approximate balance" and "reductions from current tax rates are likely to develop."

Defense, by 2000 A.D., is expected to be taking a smaller part of resources, though more actual dollars. The big increases in spending will be in education, urban renewal, mass transit.

Business investment in plant and equipment is thought likely to be five times its present level. Electrical machinery is seen as the fastest-growing manufacturing industry.

Spending for housing, the projections suggest, will have tripled, and millions of American families will rent or own second homes.

There may be about 176 million user-operated vehicles—about three times the number of autos now on the road. Some may be air-cushion models, but "any substantial displacement of wheeled autos seems far off, if indeed this will ever occur."

Over all, what they see is a nation enjoying unequalled prosperity by the start of the 21st century, but with twice as many people. That will pose problems.

The Outdoor Recreation Resources Review Commission was an independent group set up by Congress in 1958, under Laurance S. Rockefeller, president of the Rockefeller Brothers Fund. Its main interest was to outline needs for parks and other aids required by a growing

population with increasing time and money on its hands.

The Commission disbanded in September, 1962, but the major economic study made for it has only now been published, as ORRRC Study Report 23. Its projections, including a number from the U.S. Department of Labor and the National Planning Association, are of widespread interest to industries, States, cities and other groups trying to gauge future growth in their areas.

The accompanying chart and map give you some of the highlights from the report, which is available from the Government Printing Office at \$2 a copy. Its findings, in more detail, are these:

Population shifts. In general, the experts expect regional shifts of population to continue in recent patterns, though they predict a gradual tapering off of these changes toward the end of the century.

The basic trend for the coming decades thus is for population to grow fastest on the seacoasts and in the industrial complex bordering the Great Lakes.

Using the middle or "judgment" range of population-growth estimates, the report lists 41 million people in California by 2000 A.D. New York is shown with 29 million by then. Florida almost triples, to 14.6 million people.

Moving of Americans into metropolitan areas also is expected to continue,

U. S. News & World Report

reversed to a gain of 4 per cent. Now a recent census report shows Oklahoma with an increase of 5.2 per cent in the past two years.

Water for navigation was only part of the Kerr plan for Oklahoma. The Senator also set in motion a plan to create a series of reservoirs in southeastern Oklahoma, where rainfall averages 45 inches a year. When these are complete, Oklahoma will have a larger supply of uncommitted water than any other State.

What happens now? An annual supply of 30 million acre-feet of water will become available for Oklahoma cities, farms and industries: That is four times the 7.5 million acre-feet of Colorado River water that California and Arizona are fighting over.

Oklahoma's upstream soil and water-conservation program, which centers on small dams, overshadows that of any other State. Its Washita Valley program is considered a showpiece of what can be done when an area sets out to "stop the water where it falls."

The death of Senator Kerr rocked Oklahoma to its roots. All sorts of questions are being asked. Will the waterway to Tulsa be completed on schedule? Will the extension to Oklahoma City be approved in Congress? Will space-age industry continue to be attracted?

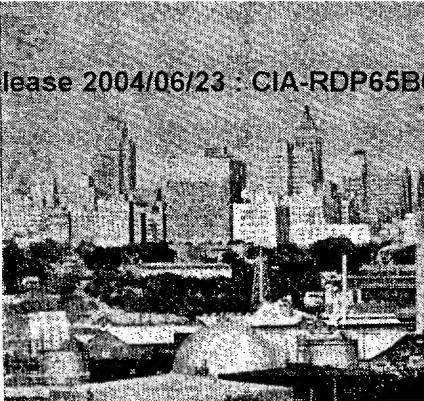
Some signs are reassuring to Oklahomans. The budget that President Kennedy has just sent to Congress requests the money needed to keep the Kerr projects on schedule.

As to the effect of Senator Kerr's death on plans of industry to locate in Oklahoma, the executive of one company that recently moved to the State said: "A number of space contractors had rather firm plans to bring important operations to Oklahoma. Now some are taking a wait-and-see attitude."

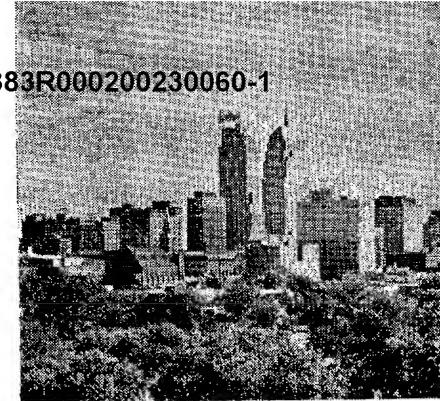
At the same time, officials of companies newly located in Oklahoma volunteered enthusiastic comment.

Workers with right idea. Said one of these officials: "Our production people are amazed with the people we've hired here. We've trained them in less time than we allotted. They seem to have the idea that they're here to work an eight-hour day. Based on what we've seen so far, this plant will produce more per man-hour than any of our other plants."

Another industry official stated that his company would have saved \$400,000 in labor costs in 1962 if workers at the company's other plants had been as efficient as those in the Oklahoma plant. Oklahomans are hopeful that this kind of performance, coupled with the momentum generated by Bob Kerr's big push for Oklahoma, will carry their State into a space-age boom.



TULSA—The "oil capital of the world" is looking forward to an important role in the space age



OKLAHOMA CITY—Booming State capital now takes in more area than any other city in the U. S.

TWO GIANTS RISING IN THE SOUTHWEST

Reported from
OKLAHOMA CITY and TULSA

Oklahoma's two major cities are exploding across the prairies of mid-America. Combined, they hold close to a million people in their metropolitan areas—512,000 in Oklahoma City and 419,000 in Tulsa. At present growth rates, they will have a combined population of 1.5 million by the early 1970s.

Downtown areas of both cities are booming with new construction. Growth of outlying areas is being supervised. Industry is hustling.

There's a "can-do" approach. It's not unusual for businessmen to get together and overnight raise a million dollars to build a plant for a new industry.

Sprawling giant. Oklahoma City has drawn nationwide attention by throwing away the rule book in city planning. In recent years, the city has annexed huge chunks of the surrounding prairie. Today, it is America's largest city in area, with 610 square miles. Aim is to give the city control of its growth.

For example, Oklahoma City planners know that jet-age airports generate lots of noise. Within the city limits lie two big airfields—Tinker Air Force Base, one of the largest air bases in the world, and Will Rogers Field, the civilian airport and headquarters of Federal Aviation Agency training.

To prevent residential growth around these two airfields, the planners are using a variety of methods. Big parks are to be located near the fields. A new reservoir serves as a buffer south of Tinker Field.

Federal agencies such as the

Federal Housing Administration and the Veterans Administration have agreed not to make loans for housing developments that would lie under runway-approach paths.

As a result, Oklahoma City's airports are rated by experts as among the few in the country that will be ready for the next step in aviation—supersonic airliners.

Also, Oklahoma City has laid out a network of expressways to guide growth, instead of waiting until unplanned development forces costly condemnations.

Gear for the space age. Both Tulsa and Oklahoma City see themselves as hubs of space-age industry. At the moment, Tulsa holds an advantage, with completion of the waterway described in the accompanying article scheduled for 1970. The waterway assures transportation for huge rockets and other space-age "hardware." Oklahoma City is pushing hard to get the waterway extended 120 miles to its doorstep.

In Tulsa, North American Aviation has opened a new plant. Douglas Aircraft long has had a plant there, and recently that plant doubled its work force. Also in Tulsa are plants of Avco Corporation, Dorsett Electronics, Telex, Inc., and Century Electronics & Instruments.

In Oklahoma City, space-age industries recently established include plants for Melpar, General Electric, and Ling-Temco-Vought.

While Oklahoma City and Tulsa are mushrooming, much of the State is losing population. Of 77 counties, 64 lost population between 1950 and 1960.

Aim of civic leaders is to provide jobs to absorb the exodus from rural areas, and thus prevent "export" of Oklahoma's young people.

U. S. News & World Report

with 71 per cent of the population living in urban areas by the year 2000.

Central cities, rather than suburbs, may become dominant in growth if mass transit and urban-renewal projects are pushed, according to the report. It finds a trend to "in-town living" a definite possibility for upcoming decades.

Some industry trends. For the next 10 to 15 years, the experts figure that jobs in farming and mining will continue to decline; manufacturing will grow at the average growth rate; utilities, trade, construction and services will grow faster than average.

During these years, in manufacturing, above-average expansion is foreseen for electrical machinery, instruments, furniture and fixtures, paper and pulp, printing and publishing, and chemicals.

From about 1976 on—the last quarter of the twentieth century—the outlook is for agriculture to stop declining and ex-

pand a bit, mining to continue to decline, and manufacturing to slip below trade and services in total employment, for the first time in many generations.

The pace of economic growth, in the closing years of the century, is likely to be slower than at present.

On a regional basis, the figures indicate that the New England States, which have been declining in their share of employment, will now "grow in step with the country."

The Great Lakes region is "expected to decline relatively" in its share of national employment. The Far West's share of employment is "expected to increase, but at a slower pace" than in recent years.

Less work, more play. For Americans themselves, three big changes are depicted within the next 37 years: a shorter workweek, higher incomes, and more leisure activities.

The average workweek is projected at 30 to 31 hours by the year 2000, with four weeks of paid vacation and 10 holidays a year the average in major industries. This compares with an average of 39 hours of work a week, two weeks of vacation, and six holidays a year in 1960.

Also, by the year 2000, almost two families out of every three—60 per cent—are expected to have incomes above \$10,000 a year in terms of 1959 dollars. Fourteen per cent had incomes that high in 1957, for example.

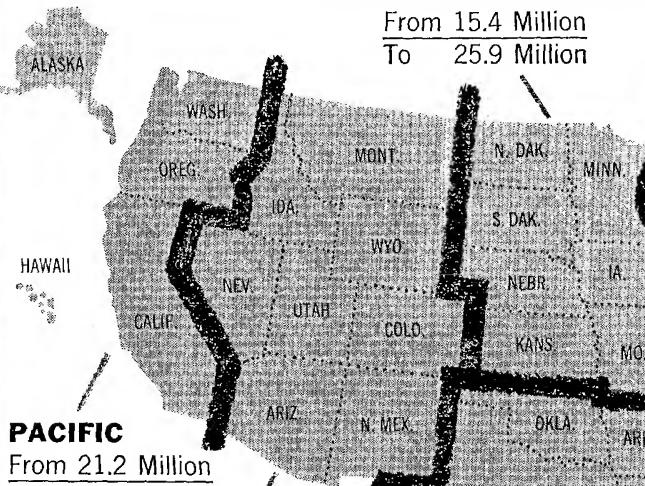
With more free time, sharply higher incomes, and innovations such as larger and faster planes and perhaps even automated highways, Americans will be taking cross-country trips for a week-end, the experts believe.

That's just a sample of the country, and the times, they see ahead—less than 40 years from now.

POPULATION GROWTH BY REGIONS—1960 TO 2000

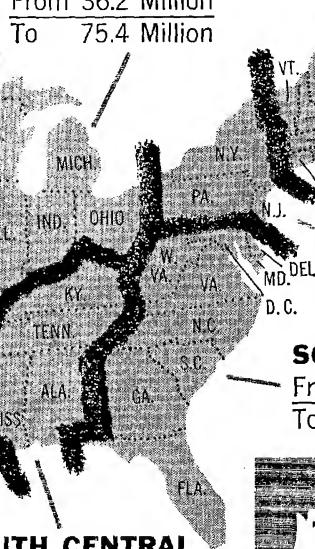
WEST NORTH CENTRAL

From 15.4 Million
To 25.9 Million



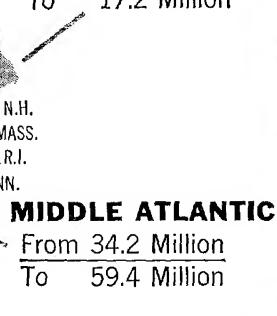
EAST NORTH CENTRAL

From 36.2 Million
To 75.4 Million



NEW ENGLAND

From 10.5 Million
To 17.2 Million



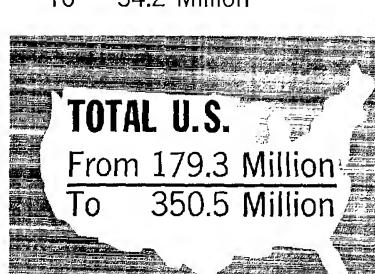
MIDDLE ATLANTIC

From 34.2 Million
To 59.4 Million



SOUTH ATLANTIC

From 26 Million
To 54.2 Million



TOTAL U.S.

From 179.3 Million
To 350.5 Million

Source: study report 23, Outdoor Recreation Resources Review Commission

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Exclusive Interview—

THE TRUE STORY OF BLACK AFRICA AND ITS FUTURE

Now that black Africa's pell-mell rush into independence is about over—

What are the odds on survival for such new nations as the Congo?

Is tropical Africa really a lush expanse of limitless wealth and resources, prime for development and eager to get going?

Can the ways of the tribes quickly be replaced by twentieth-century civilization?

Here are answers from Dr. George H. T. Kimble, a prominent geographer and specialist on Africa—interviewed by members of the staff of "U. S. News & World Report" in the magazine's conference room.

Q Dr. Kimble, when a geographer looks at tropical Africa, what does he see there?

A Eight million square miles of territory that nobody quite knows what to do with. Nobody's ever done anything with it except exploit it. None of the colonial powers made too great a success of it. The Africans certainly never made a success of it from our materialistic point of view.

It is still pretty much *terra incognita* even to a geographer. We know where its rivers and mountains are, of course, but our maps of its soils, its rocks, its climates, vegetation and so on are very inadequate. So are our maps of its peoples: where they live and what they do for a living, where they are growing fast and where they aren't. But at least we know that very few generalizations are possible—the place is so full of so many different things.

As a geographer, that's what I'm trying to put across all the time: that there are no large or easy solutions to the problems of tropical Africa. Each one has got to be brought down to earth—the bit of earth on which the people in question live. You aren't going to solve them in the board rooms, or back rooms, of Europe and America—or in the lobbies of the United Nations, either.

Q What area of Africa are you talking about?

A The area south of the Sahara and north of the Limpopo River, which is more or less the area between the tropics of Cancer and Capricorn.

Q Do you include South Africa?

A No, sir. Tropical Africa really is the old colonial Africa, which is no more. But that's the territory.

Q How many different peoples are in that area?

A About 600, I think, according to experts like Melville Herskovits [professor of African affairs at Northwestern University].

Q Are there as many different languages?

A These 600 peoples are identifiable by their general way of life, rather more than by the way they speak, although most of them do speak differently from their neighbors; that is, they have different dialects.

They all have their own traditions. They have their own history—oral, of course, but that doesn't make the history any less important. They have their own ways of raising children, eating, sleeping, marrying and burying their dead.

Q Do they have different physiques?

A Yes, sir; everything—from seven-foot Masai to four-foot pygmies; from classical "Grecian" to modern "American"—in a manner of speaking. You've got the most astonishing contrasts. You simply can't generalize.

Q What is the number of people in this area?

A In tropical Africa proper, roughly 180 million; in the whole of Africa, 250 million—give or take 25 million or so.

Q Why shouldn't tropical Africa, with all these peoples and all that area, have a great civilization?

A Sir, I do not know. There used to be a group of geographers called the environmental determinists. They flourished 50 to 100 years ago. The last great American spokesman for them was Ellsworth Huntington of Yale University. If you read his "Mainsprings of Civilization," you'll get a good idea of what they believed. In a word, it was that climate fixed the main patterns of history and culture. At times, from the way they marshal the evidence, you'd almost think man lived in bondage to a set of isolines—you know, temperature lines, rainfall lines, and all the rest. I am not sure that man does—or ever did—but I am quite sure that climate is a mighty important factor in all cultural equations.

Q Is Africa a rich land?

A I can't answer this with a "Yes" or "No." I can only say that, as far as our knowledge goes—and it doesn't go far enough—parts of it are rich and parts of it are poor—desperately poor.

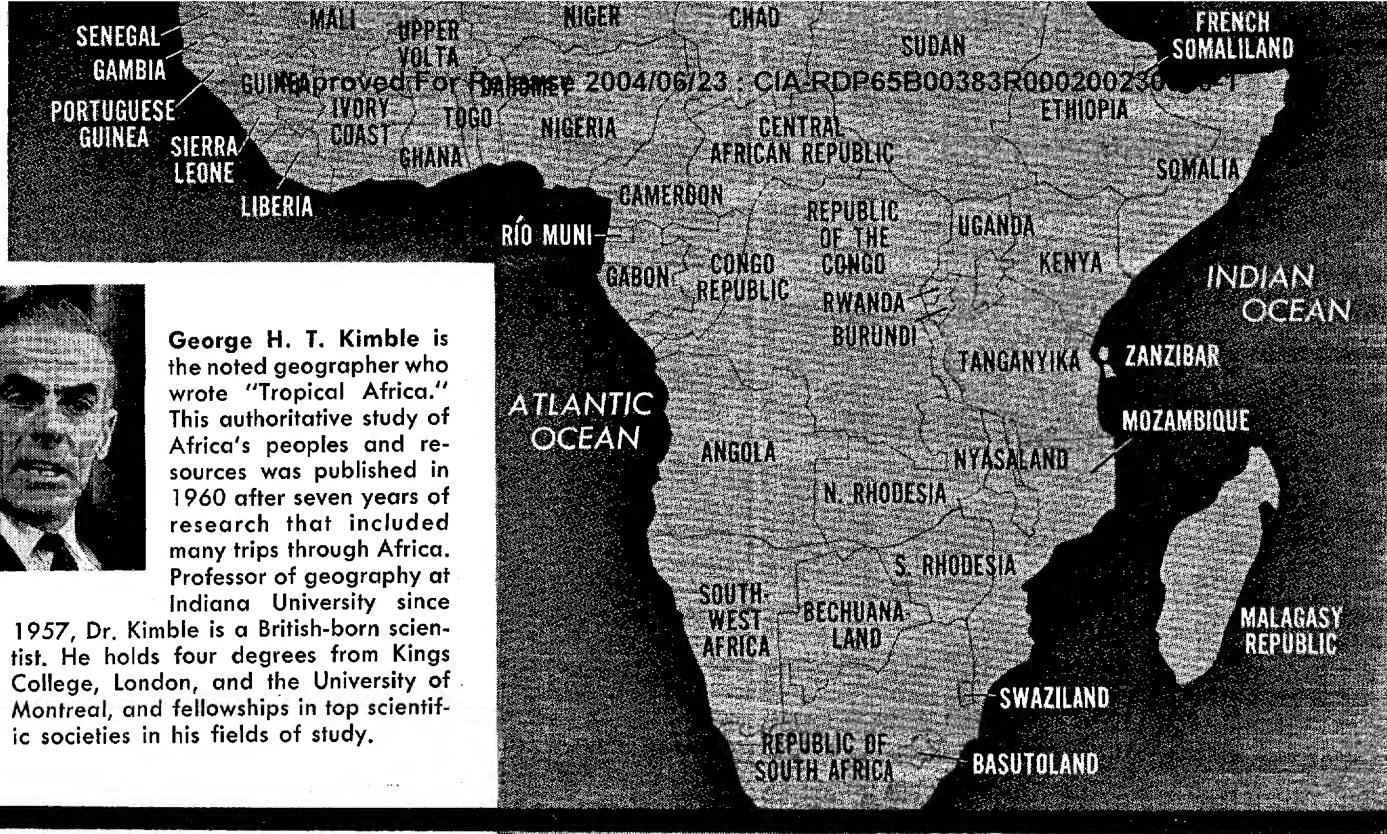
Q Are there regions such as the U. S. has in the Mississippi Valley?

A No. Tropical Africa, I think, is what the Latins used to call *sui generis*. It's a one-of-a-kind place. There's nothing quite like it elsewhere in the world.

Around Mount Kilimanjaro alone there are nearly 60 different shadings of climatic conditions. In other words, around Mount Kilimanjaro you can go from what is virtually a Florida to what is more rugged than a Maine.

Q Speaking of environment, the Indians in the Western Hemisphere created great civilizations in what is now jungle land in Guatemala and Mexico. Wasn't that comparable to what you've got in tropical Africa?

A Well, sir, there are people who say some Africans created a comparable civilization in the Zimbabwe area of



George H. T. Kimble is the noted geographer who wrote "Tropical Africa." This authoritative study of Africa's peoples and resources was published in 1960 after seven years of research that included many trips through Africa. Professor of geography at Indiana University since 1957, Dr. Kimble is a British-born scientist. He holds four degrees from Kings College, London, and the University of Montreal, and fellowships in top scientific societies in his fields of study.

Southern Rhodesia. But I'm not an anthropologist or an archaeologist. If they did, it disappeared—just like the civilizations in Guatemala and Mexico. Likewise the civilizations of Cambodia—the Angkor Wat area. There's nothing there today except jungle and marvelous monumental ruins.

I wouldn't want to say it's impossible for a great civilization to develop and to be maintained in a tropical climate, but there must be some significance in the fact that, so far, mighty few have managed to keep going in areas of constant heat and constant high humidity.

Now, in the U. S. we are not cursed with that combination, except, perhaps, in one or two very small spots. Fortunately, those spots have sea breezes, like the southern tip of Florida. That's the nearest we get to the African "jungle" condition of constant heat and constant high humidity.

Q How many of these new countries in tropical Africa, on the basis of their geographic endowment, can become operating, modern nations?

A There are 26 areas—no, I guess there are 27—that have become autonomous since 1956. But I don't call them nations.

Q In terms of the United Nations' definition they are nations—

A Yes. They are nations in the sense of being independent of the British, the Belgians, the French, and so on. But there's more to nationhood than that. There's the matter of what there is to be independent *on*, as well as independent *of*. And, quite frankly, I can't see what most of the new countries have to base their independence *on*—to keep it going on, anyway—other than handouts from their friends in the U. N.

Of the 27 countries that have been admitted to the U. N. since 1956, at least 20 are already in trouble financially. At the rate we are still adding members to the "club," there are going to be nearer 30 than 20 such countries in five years' time—Nyasaland and Kenya among them.

By the look of it, there are going to be about 35 of these autonomous countries in tropical Africa. That's assuming the Congo doesn't break up into six different pieces. It could, conceivably.

Q What about the Congo? Is this one of the richer, or poorer, countries?

A The Congo has as much under its belt, so to speak, as any of the new countries—perhaps more than any of the others.

Q What do you mean by "under its belt"?

A I mean the Congo's got what it takes. It's got sinew, vitality and resources of all kinds.

Q The Congolese don't seem to be doing much with them, do they?

A Well, thereby hangs a long and sorry tale, sir. The Belgians weren't in a mood to bring these people along any faster than they did.

When I spoke to one of their governors-general—Governor Pétillon—in the mid-1950s, he said: "We are here because the Congo needs us more than we need the Congo." The Belgians were talking then of the deadline for Congo independence being 1980, or thereabouts.

I think if the Belgians had been given even until 1970, they could have made a whale of a fine job of it, because—there's no doubt about it—they had the skills and they had the personnel to do it, and they had 50 years of experience of how *not* to do it. And they could have put all that to very fine use.

Q Now what have you got in the Congo?

A You've got chaos, and you're going to have it for 30 or 40 years, unless the Belgians go back and finish the job they began. I know this sounds ridiculous to many people—they told me so, when I said it in the New York "Times" a couple of years ago.

But what's more ridiculous than having 20,000 U. N. people in the Congo, who aren't proving anything except that Uncle Sam has got a bottomless purse? I gather he's putting in 150 million dollars of the 300 million dollars that have been spent in the Congo operation already. And what have we got for it? Not a thing—not even the confidence of the Congolese.

Q Apparently we're going to put in an army of U. N. people—

A This is a new imperialism—as bad as any "colonial" imperialism I ever set eyes on.

Q Do you see no chance of stability coming to the Congo in the near future?

A No. You cannot expect stability in a country that is so

INTERVIEW: True Story of Black Africa

ill-prepared for the responsibilities of self-government, and so beset by tempters and tyrants.

They might have got it in 25 or 30 years, if the Belgians had been allowed to stay there.

Q On what can you base a country in tropical Africa?

A You've got to have "grist for the mills."

Q What is that?

A "Grist" is the stuff that comes out of the earth. It doesn't come out of Uncle Sam's exchequer, it doesn't come out of the U.N., because they haven't got any. Grist is animal, vegetable and mineral material.

The 8 million square miles of tropical Africa has a fantastic assortment of grist. Name a mineral and it's got it. Name an animal resource and it's got it. Name a crop that grows and it can grow it—everything from Irish potatoes and Brussels sprouts to pineapples and palm oil.

But the distribution—and this is the worrisome thing about tropical Africa—is such that some countries, like the Congo, have got virtually everything they need; and some, like Mali, Mauritania and the Somali Republic have got hardly anything they need.

The Somali Republic, for instance, is nine tenths desert. A couple of years ago, it picked up British Somaliland, which is also nine tenths desert. So it finished up with eighteen twentieths desert.

It's got only one sizable export crop—bananas—which the Italians used to buy all the time they were running the country. But there are cheaper and better bananas in the world, as I suspect the now-independent Somalis are beginning to realize.

The country's budget, for the last year of which I have any knowledge, would have run to about a week's take at Sears, Roebuck, when the farm subsidies were coming in good.

And talking about budgets: Only a handful of new countries have more spending money than a decent-sized Midwestern university has. Our ordinary budget at Indiana runs about 50 to 55 million dollars a year. This might just cover the running costs of a second-rate school system in, say, the Somali Republic or Mali, but it wouldn't leave very much over for colleges, to say nothing of consulates, embassies, prisons, hospitals, roads, armed forces, and so forth.

True, none of these countries is friendless. To the Somali Republic alone in the past couple of years have come suitors from a dozen countries, laden with good words—and loans. They need the loans all right, but how they are ever going to pay them off beats me. Unless, of course, they are persuaded to "trade in" their neutrality or their integrity—that is, settle for a new colonialism.

LIVING ON \$50 A YEAR—

Q What sorts of income do the tropical Africans have?

A The average runs between \$50 and \$100 a year. Granted, most African families raise some of their own food; but, then, so do I. Even so, most of them live meanly, most of the time.

Q How do the 180 million tropical Africans live?

A Well, a great many of them live as they did in David Livingstone's and H. M. Stanley's day. That is, they raise just about what they need. If they can't sell their surpluses, or don't have any, then they'll do a spell of work in a nearby town, or maybe a distant mine—usually for no longer than it takes to earn enough cash to pay their taxes, or buy a bicycle or a sewing machine. But increasing numbers of workers are becoming permanently urbanized and living exclusively on the proceeds of their earnings. And their earnings are quite considerable in many instances. After all,

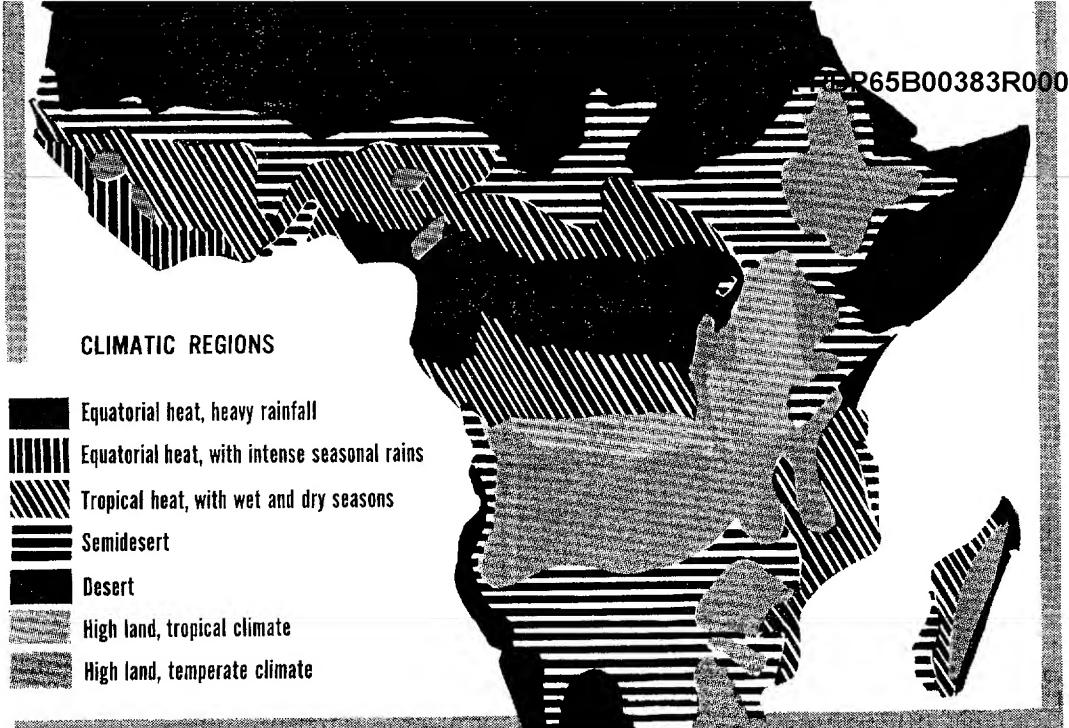
(continued on page 76)



Marc & Evelyn Bernheim Photo
Primitive villages, deep in the bush, still are the center of life for millions of native Africans who cling to the old, tribal customs of their ancestors.



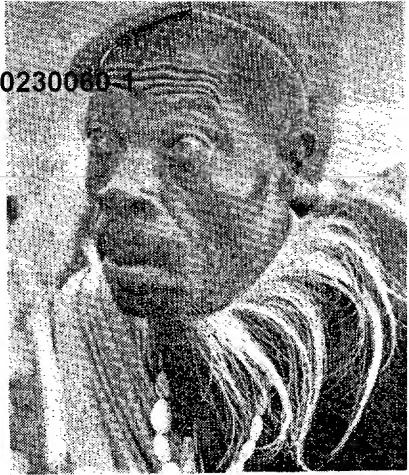
BIS Photo
Modern cities, complete with traffic jams and parking meters, rise out of the wilderness in tropical Africa. They were developed and built by the white settlers who now are losing control in many areas.



CLIMATIC REGIONS

- Equatorial heat, heavy rainfall
- Equatorial heat, with intense seasonal rains
- Tropical heat, with wet and dry seasons
- Semidesert
- Desert
- High land, tropical climate
- High land, temperate climate

Basic data: "Tropical Africa," by George H. T. Kimble, volume I



The extremes that abound in Africa are symbolized in these two faces—that of a witch doctor, above, and, below, a student at one of the newer schools.

—Africa Films



THE 7 MAJOR CLIMATES OF CENTRAL AFRICA—

"There's nothing quite like it elsewhere in the world"

Geographer Kimble says no generalizations apply to tropical Africa. The land, people, languages and cultures are as varied as the weather. His description: "Eight million square miles of territory that nobody quite knows what to do with. . . . There are no large or easy solutions to the problems of tropical Africa."

—Magnum Photo



Cocoa beans, here being prepared for market, are a leading export in many areas. Land is so varied that some countries can grow nearly anything, but others almost nothing.



Magnum Photo

Trained manpower is one of the critical shortages in much of Africa. Years will be required to develop the skills needed.



There is abundance for some Africans, such as these shoppers in a department store. But for millions,

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... "The Congo has a wonderful chance to make a go of it"

more and more Africans are doing "European" jobs—and getting "European" rates of pay. And in tropical Africa these have always been rather high.

In some of the more prosperous countries, like Nigeria, you are now beginning to get a good deal of fancy spending—what, I believe, the economists call "conspicuous consumption."

Q Which countries do have a chance to make a go of it?

A I'd say Nigeria, for one. Again, I'm not thinking of the political problems that come from having 36 million-odd people divided into 200 different groups.

I'm thinking of the *land* of Nigeria. It comprises some of the nicest real estate in Africa—everything from forest-covered lowlands with an 80-inch rainfall to lofty, well-ventilated plateaus where you can cool off once in a while. It has also got some desert.

Within this ample territory you can find most of the minerals a country could wish to have, including tin, iron ore, columbite and coal. Coal is not too common in tropical Africa.

What is more, it has a large water-power potential that I see Mr. David Lilienthal [first Chairman of the Tennessee Valley Authority] is interested in helping the Nigerians develop, and this could really put them on their feet industrially.

But I'd say their greatest sources of wealth are vegetable and animal, rather than mineral. Their forests contain many sorts of valuable trees, including oil palms, rubber, and mahogany that grows 120 to 125 feet high. They provide fuel, shelter and shade—for such important cash crops as cocoa and bananas—and they are wonderful for stopping erosion and regulating ground-water supplies. Their drier lands—savannas—provide good grazing for cattle, of which the country has millions—at least 8 to 9 million.

What's more, much of the range is free from "fly"—tsetse fly, that is—and, so, comparatively safe for cattle. And there's scarcely a tropical crop that can't be grown somewhere or other. There's nothing of the one-crop economy about Nigeria, as there is about so many African countries. In other words, it's much better placed than most to ride out any rough weather it may encounter.

Nigeria is, I'd say, one of the most viable of all the new African states.

AVOIDING CHAOS IN NIGERIA—

Q Does it have good-quality people?

A Yes. It has had, if I may say so, the benefit of British colonial administration. Whatever may have been its limitations, lack of integrity wasn't one of them. And the British did a pretty fair job of educating the Nigerians—not just in skills, but in responsibilities, too. With the result that the changeover to independence took place without the loss of face, and chaos, you had in the Congo.

All in all, the Nigerians strike me as being the best horse in the race. They've got their handicaps, like the rest of us. They've got all those tribal groups, for one thing. They've also got religious problems: the Moslems of the North don't always see eye to eye with the so-called pagans of the center, or with the Christians of the South. And the same goes for the political parties. But at least they have parties.

And most of them, I think, are reasonably impressed by the notion of democracy. It may not be parliamentary in the sense in which the British understand the term, but, so far, they haven't been compelled to fall down and worship any-

body. And they do have a common tongue. Most of those who've been to school understand English.

Q Are most Nigerians literate?

A They're becoming so, very rapidly. The western region of Nigeria was the first in tropical Africa to introduce universal primary education—free, at that. Today, I believe it claims something like 85 per cent child literacy and getting on to 75 per cent adult literacy.

Q That's very high—

A Indeed. It compares very well with Mississippi, doesn't it?

KATANGA'S FUTURE—

Q What other countries would you say have a chance?

A Well, the Congo—with or without Katanga—has a perfectly wonderful chance to make a go of it. This story that the Congo is a kind of Cinderella that needs the fairy godmother of Katanga to keep going is absolute buncombe. There isn't a country in Africa—in the whole of it—with more economic promise.

Name any resource you like, and the chances are the Congo has got it, or could find a substitute for it. It's known to have more than 40 economic minerals to begin with. I'm not sure I don't list 50 in my book "Tropical Africa."

And, of these, Katanga doesn't have more than a score or so, and not more than half a dozen in great quantity—copper, of course, being the chief. It doesn't have the diamonds or the gold or much of the tin, all three of which used to bring in big money. And it doesn't have the forests, the plantations or nearly as many of the farms as the rest of the Congo.

Climatically, I'd say Katanga was the worst off of the six provinces that made up the old Belgian Congo. Certainly its water resources—rivers, lakes, swamps—don't begin to compare with the rest of the country. At one point on the lower Congo River alone, just below Leopoldville, there's enough water to drive about five times the number of hydroelectric turbines there are in the whole of the North American continent. The Belgians had plans to develop some of this power at a place called Inga.

Q Katanga's minerals are also wealth that is being depleted—

A Exactly. If we are thinking of the long haul—as we should be—Katanga may one day need the Congo in a far worse way than the Congo needs Katanga now, simply because it's the other five provinces [of the old Belgian Congo] that have most of the *renewable* wealth. You can do a lot when you have water.

The rainfall map, to a geographer, is the most eloquent testimony of what a tropical country has got to work with. If it has no rainfall, you might as well give up. Look at the Sahara. If anything, the Congo has too much rain.

Q Outside of Katanga?

A Yes, yes, yes. But, fortunately, most of the rain has the great advantage of being controlled by forest. It is not runaway rain; it is not this terrible thing that plays havoc on my farm in the Middle West.

Most of the Congo rain falls on forest, on a tight plant cover. It's only when man opens it up for his large-scale bulldozing and plowing that you get the erosion problem.

Q Didn't the African cultivator open it up?

A No, not really. You may think he was awfully slow on the draw, but he knew a thing or two about his lands. Not the least was to have respect for the natural cover. He never destroyed enough of it to produce the kind of erosion we

... "Ghana is a healthy country. British took care of that"

had 30 years ago in the Tennessee Valley—and still have, for that matter.

Q But is the forest valuable, as a resource in itself—if you don't cut it down to make use of the land?

A Yes, every bit as valuable as the Nigerian forest, and for the same reasons. And it's about 20 times as extensive. But it's no good for American-type agriculture.

I suppose it's understandable when we go to Africa that we should think there's nothing wrong with the place that American know-how can't put right. But this is not so, and you must know it, if you've ever seen the effect of a 3-inch fall of rain on a field in half an hour as I have, sometimes, in Indiana. You can get a 10-inch gully while you watch; another 3-inch fall, and you've lost your field.

The African cultivator is smarter. He keeps alive every possible tree and he leaves the roots of those he can't keep alive. He's a "man of the trees," you might say.

Q Can more use be made of the trees, would you say?

A Undoubtedly; and, in the Congo, the Belgians had made tremendous progress with the development of a tree-crop economy.

There are a thousand and one bushes and trees in this world that yield a crop, and the Congo can grow more than its share of them. Those they made most progress with were the oil palm—useful for numerous industrial purposes as well as for food—bananas, rubber, cinchona—the source of quinine—coffee, and cocoa.

By the time they left the Congo, the Belgians had made such good progress with developing the economy of all six provinces that the total exports of the country were higher than those of any other country in tropical Africa. The total exports from the five provinces of Leopoldville, Equator, Eastern, Kivu and Kasai were greater than those of at least 10 of the countries that have recently won their independence. The exports of any one of the five provinces were greater, I'd wager, than those of at least five of the new countries. Which makes the United Nations' argument about the Congo needing Katanga mighty specious—to me, anyway.

IF GHANA CAN DIVERSIFY—

Q You have listed the Congo and Nigeria as viable African states. What is the next one?

A From this point on, I begin to have reservations, but I would say that Ghana, in spite of its small size, has the makings of a viable state. It has about the fourth-largest export trade in tropical Africa, and, although the economy has a narrow base, it is being broadened. What is even more important, the base can be still further broadened.

The economy used to be based almost entirely on cocoa, but the Government has come to see that cocoa is a very "iffy" thing. If our doctors should say tomorrow morning cocoa is bad for us, then Ghana would soon be in the same trouble with cocoa that we are with milk in this country.

So the Ghanaians are determined to look for some more baskets—and some more eggs, I guess. They are finding them, too. They are raising rice, rubber, tobacco, sugar cane, tropical fruits—which they need themselves in the worst kind of way, and which the world can perhaps use as much of as they can produce. In the drier areas they are raising more and more maize—hybrid, too—grain sorghums, cashew nuts and peanuts—which is a very versatile crop, as George Washington Carver showed us. They are also raising more and better-quality cattle.

Ghana has also got valuable minerals—expendable, of course, as you point out, but they've got plenty. There's

still no shortage of gold, even after 400 years of mining it. Their bauxite deposits are fantastic, and they are going to do a lot more with them when they've got the Volta River project going, for this will give them all the electric power they need. Whether they'll ever be able to pay for the project is not for me to say. But the fact is that they do have most of the building blocks a young country needs to play with—work with, rather. What worries me, though, is the country's small size. It hasn't got the room for expansion that its 7 million people are going to need. It's got one of the heaviest population densities—about 75 per square mile—of any country in tropical Africa, and the population is growing rapidly, primarily because Ghana is now a healthy country. The British took care of that pretty well.

Ghana is now a well-educated country, too. It has one of the highest levels of literacy in Africa, and some of the most sophisticated adults I ran across in the whole of my travels. For the past 15 years, Ghana has had a very vigorous extramural, extension-type, program of adult education. My brother, I'm proud to say, directed this until a year ago. [David B. Kimble is now professor of political science in the New University of Tanganyika.] By the time he left, there was hardly a village of any size that didn't have some inkling of what self-government was all about, or, for that matter, economics, psychology, English literature, and geography.

Smallness is Kwame Nkrumah's big problem, and this, I think, explains his constant skirmishing with neighbors. He sees that they aren't as pressed for room as he is, that they're also well-endowed—

Q Do you think maybe he'd like to conquer them?

A Maybe we should delete the "maybe." I think he regards this as the inevitable price to pay for the Pan-African dream he has had all these years.

HOW TANGANYIKA FARES—

Q Now we've got three viable states: Nigeria, Congo and Ghana. What others do you see?

A Tanganyika, I'd say. I'm not sure I'd put as much money on her as on some of the others in the race, but I like her stance, and her pedigree. I think she will give quite a good account of herself, because the British—

Q Are you speaking, now, as a geographer or as a political scientist?

A I'm just a geographer who can no more escape having political opinions than a political scientist can escape being hot and wet once in a while.

Like the other countries I'm "backing," Tanganyika has a wide diversity of resources. These the British have developed reasonably well—and for the benefit of the African, primarily.

It's true there are some European and Asian planters there, but, for years, most of these planters have been extraordinarily enlightened. The chief planter, Sir Eldred Hitchcock, the sisal king of the country, has some of the finest facilities that I've ever seen.

Their mining king was a tiptop Canadian by the name of J. T. Williamson, and the facilities for the people who worked on his mines were second to none in that industry.

Q Mining what?

A Diamonds. In 1940, Williamson found the Kimberlite pipe [a volcanic core in which diamonds occur] he had been looking for, and, in proper sourdough fashion, he was on his last cup of water when he found it. True, he died a rich man, but he also enriched the country.

The nicest thing about Tanganyika, though, is that it is a

INTERVIEW: True Story of Black Africa

... "Kenya is still pitifully short of skilled labor"

big country and has the wide range of climates a country needs if it's going to have a broad-based economy. And it has a good deal of water, too, especially lake water, most of it fresh.

You can do an awful lot with these lakes. You can use them for irrigation and trade. More important, perhaps, you can use them for fishing. And most Tanganyikans could surely do with a lot more animal protein in their diet. Even the cattle raisers don't always get enough of it.

Q Are the Africans going to carry out Tanganyika's development themselves?

A Yes. With a small amount of outside help, I imagine, as, in fact, they've been doing all along. Remember, there has never been more than a handful of non-Africans in the country. A few thousand civil servants, a few hundred settlers—European and Asian. Luckily, there's never been any real settler problem—the kind of thing you've got in Kenya.

Very few of these expatriates have left the country, I understand. Most of them seem to take the view: "O.K., the African is determined to make a go of it. Let's give him every chance."

The Tanganyikan President—Julius Nyerere—goes further. He says: "For heaven's sake, don't leave us. We'll give you good pay. We realize we've been paying rather heavily for the privilege of being a colony, but we'll still need you." I notice he also said his African colleagues would take a pay cut, just to help out with the cost. That's pretty unusual, as you know. They mostly want bigger salaries, the way the trade-unions and the rest of us do.

ROLE OF THE RIVER NILE—

Q This gives us four viable states: Nigeria, Congo, Ghana, Tanganyika—

A Number 5, I'd say, is the Sudan. That's the old Anglo-Egyptian Sudan. It is a large territory, the biggest of the lot. It runs to almost a million square miles—a little larger than the Congo. And it has something of pretty well everything—in the way of vegetation, at least. Rather like Nigeria, except that the Sudanese forests are poorer and the desert much larger.

Its greatest asset is undoubtedly the Nile River. Fortunately, the people who have the headwaters of the Nile, the Ugandans and the Ethiopians, realize that they owe it to the people downstream to play fair, and, of course, Nasser is going to see that they do, because he's even farther downstream and even more dependent on the river. So there's no question of the Sudanese not getting the water they need.

Water has been their salvation. It was the Gezira scheme for irrigating more than a million acres of land between the Blue and White Niles, started by the British in the 1920s, that produced the cotton that produced the revenue that produced the country. Something like 60 per cent of the revenues of the Sudan come from cotton.

Q Long staple?

A Yes, wonderful stuff—high-yielding, too. And, luckily, the Gezira has good soil, alluvial soil. It has to be replenished, of course. But the British brought in the idea of crop rotation, which was something the Sudanese farmer didn't know too much about. He now sees it's necessary, though. And he is still a long way from producing all the cotton the Gezira is capable of producing. There's a lot of additional acreage becoming available right now.

All this is fine while cotton is king, but the Sudanese realize that kings have a habit of being toppled. So, like the

Ghanaians, they are trying to broaden the basis of the economy. They're making progress, growing such crops as peanuts, pulses, castor seed, millet, coffee and so on. But the question is: Can they make enough—fast enough?

Q Are there many people?

A Twelve million. That's enough for their needs. What is more, at least three fourths of them are Moslems, which means that they have some pretty civilized perceptions: a feeling for the propriety of things, integrity, and a sense of personal accountability—which you don't always find in the non-Moslem areas.

Most of these people don't mind working, either. Work, I gather, is a virtue among Moslems, which is more than it appears to be among many of the so-called pagan peoples who live farther south. To most of these, work is only something you do when you can't have leisure.

Q Are there any other African countries that have some prospects of viability? Kenya?

A Kenya could probably make it as an autonomous state if the Europeans would stay along. But most of the Europeans are in no mood to stay along, and I can hardly blame them.

Q If the Europeans leave, can the Africans run the place?

A They could, if there were enough of them—enough trained and experienced Africans, that is. But Kenya is still pitifully short of skilled labor, to say nothing of professional people. If anything, it's even shorter of skilled farmers capable of making the kind of money the European farmers have been making. True, a lot of Africans are now in the cash-crop-raising business, but you don't "raise" much cash on a three or four-acre *shamba*—the usual name for an African small-holding.

And what we've got to remember is that most of Kenya's revenues have always come from crops which are, so to speak, "un-African," such as coffee, pyrethrum—the base of an insecticide—tea, sisal, wattle and cattle products. If the Europeans pull out, there's bound to be a catastrophic slump in exports, and so in revenues. There just aren't enough African farmers capable, as yet, of carrying on where the Europeans leave off.

Africans are slowly taking over the so-called white highlands, but for several years they aren't going to be able to run them anything like as efficiently as the Europeans. This won't be their fault, of course. They've never had the experience of running anything larger than three or four acres.

Q Basically, could they?

A Yes, yes. But most of Kenya's activities are still centered around the Europeans, and nothing but chaos could result from a mass emigration of the Europeans.

WHERE HOPES ARE DIMMER—

Q What about Rhodesia?

A If the Federation of Rhodesia and Nyasaland could have been acceptable to all three territories, it would have been one of the most viable countries in Africa—it already is. As you know, it consists of Nyasaland, Northern Rhodesia and Southern Rhodesia.

Nyasaland's main contribution to its viability is manpower, I guess. She has an exportable surplus of it. She also has plenty of water, some fine forests, and the ability to raise such crops as tea, tobacco, cotton and tung oil.

Northern Rhodesia is essentially a Katanga. Ninety-five per cent of its exports are metals, such as copper and cobalt.

Southern Rhodesia has just about everything it needs, except the things Northern Rhodesia and Nyasaland can supply in large amounts. It's particularly well off for skills, for it's got

... Outlook for Africa: "Not a pretty prospect"

the largest European population of any tropical African country—about a quarter of a million, I believe.

The three together could have made sweet music—to an economist's ear, at all events.

Q Did you say they are breaking up?

A Of course. Nyasaland wants a seat in the U.N., like all the other colonial countries. But I'm afraid *that's* about all she'll get out of independence. She hasn't the ghost of a chance of going it alone, the way Katanga would have.

Q What about Southern Rhodesia's joining with South Africa?

A She may—now that she's got what is, after all, a Government committed to a watered-down version of apartheid. Anyway, I think she will tend increasingly to look for support from the south, and the south will be only too pleased to give it to her.

PORUGAL'S POINT OF VIEW—

Q And how about Angola?

A The Portuguese have been in tropical Africa longer than anybody. They've had more than 400 years of colonial experience. While they have made rather different use of this experience from the rest of the colonial powers, they seem to feel that history supports their intentions.

Q Will they stay? Are they likely to survive?

A They intend to stay, and I think that, rather than pull out, they, too, would be willing to federate.

Q So might you get a white-run federation down in the south?

A You might—for a while. But not for long. By the end of the century, Toynbee [Arnold Toynbee, English historian] may well be right. He said there wouldn't be a white man in Africa south of the Sahara by 2000 A.D.

Q Is there no other tropical African country that's viable? What about Cameroon?

A It just might be, for it has a variety of agricultural resources; but its revenues are small—hardly enough to maintain an adequate infrastructure—roads, utilities, and so on—certainly not enough to support all the superstructure—embassies, armies, etc.—of sovereignty.

Q What about Ethiopia?

A That's not a new state, of course. Yes, I imagine she'll keep going, with the help of friends. But it's a low-level sort of viability, you know. The same as it is in the only other "old" tropical African country—Liberia. But who wants to live at the level of the Liberians? Not even the Liberians, it seems. After all, Liberia has a budget about half the size of Indiana University's. This is supposed to take care of everything.

Q Then you're not very hopeful, really, of the whole tropical Africa area? The U.S. Government seems to feel that Africa will be another great part of the world—

A Yes, "wave of the future," and all that. I confess I don't share this confidence. I wish I could. Now, if you are thinking of a future nearer 500 than five years ahead, O.K.

Q Why then?

A Well, it took Europe about 500 years to shape up a civilization you could be proud of, and I see few signs of any speeding up in the spiritual processes that bring civilizations into being.

Q Do you think climate has something to do with Africa's failure to advance?

A Yes. And I know plenty of people who are of the same opinion. A friend of mine, who spent 12 years at the University College of Nigeria at Ibadan—the first of the uni-

versities of that country—told me he could manage to lecture nine months a year in Nigeria, but that he couldn't carry on any research there. The only research he did was while he was on vacation in England. I gather that a great many of Africa's native sons find difficulty in doing creative work in the more humid parts of the tropics.

Q Climate, then, affects Africans as well as white men?

A It certainly looks that way. "West Coast memory" is said to be as common among the Ghanaians as it is among the expatriates who live among them. So is "WAWA"—short for "West Africa Wins Again." That's the word they use any time a thing goes wrong with a man's work or when he fails to keep an appointment.

Now, whether this is because of the heat or humidity, I don't know. Maybe it's more a matter of pathology. For let's face the fact that 95 per cent of the people in Africa still carry the bugs of one or more diseases in their bodies.

Q Does that include white people in Africa?

A If they play the game carefully—take a lot of pills and vaccines, live closer to their medicine chest than to their bar—then they probably come out alive—as Dr. Schweitzer continues to after 40 years or more. But you're never sure.

There's always the chance, of course, that nutrition—rather, malnutrition—is at the bottom of the trouble.

Remember, no African, except the cattle herders, knew what it was to have a balanced diet as we understand the term—well, those and the cannibals.

Q Cannibals have a balanced diet?

A Normally, the meat comes in the guise of small game—rats and other vermin, lizards, termites, ants—all these are high-protein foods, I'm told.

Q Do they eat those?

A Oh, yes. I've seen them. But if they can't get these, they may well be constrained to go hunting for bigger game. A lot of the cannibalism seems to be nothing more than a response to protein hunger. At least, that is what doctors have told me.

A RACE AGAINST TIME—

Q With that kind of health background, do you think the native Africans, even in the five or six countries you've named, have the potential for running their countries and making them viable?

A There's no question about their intellectual potential. The Africans I have met in universities, medical stations, and so on strike me as being as intelligent as my own students. I've got one now who is working for a higher degree that I would say compares very well with the 35 to 40 other graduate students in our department.

But it takes time—a long time—to develop this sort of potential, and no country has enough of it, I'd say. Certainly, no country can afford to be throwing any of it in jail, the way Ghana has been doing. Nor can any country afford to exile any of it. This is the thing, if I may speak as a nongeographer, that worries me far more than the climate and all the other environmental conditions: the growing tyranny and intolerance of the African against his own kind.

Q Somebody has suggested that maybe a few wars would let them straighten things out among themselves—

A Don't worry, they're going to have them.

Q Overall, is the outlook, as you see it, for 20-odd perpetual charity cases among these countries?

A Well, sir, either that or perpetual stint and scheming, impotence and indebtedness. Either way, it isn't a pretty prospect.

[END]

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WHAT YOU AS A BUSINESSMAN CAN and CANNOT DO

*as a result of recent court
and administrative decisions*

✓ YOU CAN tell Internal Revenue Service when, in your opinion, **meals and lodging** furnished an employee by an employer for the latter's convenience are taxable to the employee. A hearing on changed IRS regulations will be held in Washington, February 25. People planning to attend should notify the agency—attention T:P—no later than February 20. The proposed regulations revise the tests for determining when a meal or night's lodging is and isn't income. They were published on page 12836 of the "Federal Register" of December 28.

* * *

✓ YOU CAN, if your small business is displaced by federally aided construction, seek a **loan** from the Small Business Administration. SBA says that during 1962 more than 100 firms got a total of more than 6.75 million dollars in such loans to help get re-established. Injury or displacement by highways, urban renewal, etc., can qualify. Repayment period can be as long as 20 years. Interest rate now is 3½ per cent.

* * *

✓ YOU CAN perhaps expect a brief increase in **sugar imports**. To help build up stocks depleted during the recent dock strike, the Agriculture Department has temporarily cut the import fee from 1.4 cents per pound to zero on "global quota" sugar. This is foreign sugar sent in outside regular quotas.

* * *

✓ YOU CAN, as the operator of a **radio or TV station**, now take until March 18 to file your comments on "objectionable loudness" with the Federal Communications Commission. FCC has extended the former January 28 deadline. At issue is the regulation of stepped-up volume for commercials.

* * *

✓ YOU CAN, in the operation of some **gravel pits**, disregard the provisions of the Fair Labor Standards Act. A U. S. district court has found a Wisconsin pit not to be engaged in interstate commerce within meaning of the Act, and hence not covered. The company sells to local buyers, and the fact that its product may, after it is sold, be

(continued on next page)

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[continued from preceding page]

mixed into concrete for interstate roads was beyond its knowledge or control, the court said.

* * *

✓ YOU CAN get from offices of the Small Business Administration two new leaflets on **taxes**: "Tax Dates for Small Plants" and "Tax Dates for Small Marketers." They contain federal-tax calendars and sample calendars for use with State and local taxes. The leaflets were prepared by staff members of SBA and Internal Revenue Service.

* * *

✓ YOU CAN submit a bid, until February 26, for **construction** of canals and laterals in a unit of the Missouri River Basin Project. Winning bidder will have 630 days to complete work. Bids are being handled by the Interior Department.

* * *

✓ YOU CAN, until March 5, submit to the General Services Administration a sealed bid to buy 65,447 pounds of **ferrovanadium**. The bid-invitation number is DMS-ORES-20. Information can be obtained from Defense Materials Service, CSA, Washington 25, D. C.

* * *

✗ YOU CANNOT, if you are a store owner charged with violating "**blue laws**," get a federal court to stop the prosecution by proving that other stores have stayed open on Sunday and have not been prosecuted. Such an argument could be made with respect to almost any offense, a U. S. court of appeals has pointed out. However, the court did affirm that a federal civil-rights statute of 1871 could be employed in a suit against discriminatory enforcement.

* * *

✗ YOU CANNOT, if you are a large distributor of **fuel oil**, expect much success in contesting jurisdiction of the National Labor Relations Board. The Supreme Court has agreed that NLRB had authority to issue a labor-practices order in such a case. The distributor's operations were local, but he bought from a large oil corporation "concededly engaged in interstate commerce," the Court noted.

Conclusions expressed in these paragraphs are based upon decisions and rulings of courts and Government bureaus. In making their decisions, courts and bureaus consider many facts which, for reasons of space, cannot be set forth in detail. "U. S. News & World Report," on written request, will refer interested readers to sources of this basic material.

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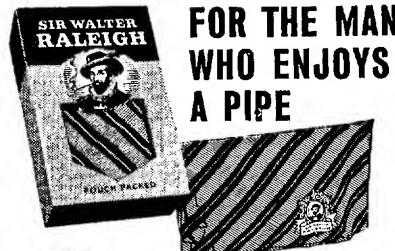
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WHAT
U. S. COMPANIES
 ARE DOING
ABROAD

- **Pakistan Orders Helicopters to Help Ease Country's Transport Problem**
- **Japanese Stocks, Bonds Continue To Attract American Investors**
- **U. S. Investment in Australia Shifts From Manufacturing to Mining, Oil**

■ Pakistan plans to establish a helicopter line in an attempt to improve the country's transportation system.

New York Airways has been engaged to set up a helicopter line to link Dacca, in East Pakistan, with 25 other cities and towns.

Pakistan is buying three 25-passenger helicopters from United Aircraft for about 3 million dollars. The total capital investment will be about 3.5 million dollars, including heliports. Passengers will be able to reach most cities in less than an hour, any of them in two hours.

Reason for the move is that Pakistan's present transport situation is primitive. There are few roads, and railroads are not linked in a network. The Government estimates that it would take years and hundreds of millions of dollars to build a highway-and-rail network. So the helicopter system is to be tried.

New York Airways has made surveys for helicopter operations in Bombay, India, Portugal's Madeira Islands, Japan and West Germany. The firm also is consulting with governments in the Middle East and Africa.

■ Japanese securities continue to attract U.S. investors.

During 1962, Japanese firms sold 200 million dollars' worth of depositary receipts, convertible debentures and bonds on the money market in New York. Depositary receipts are certificates issued in the U.S., representing shares of a Japanese firm deposited with a bank in Tokyo.

Among Japanese firms raising money in New York were makers of machinery, electronics, appliances, motorcycles, steel, chemicals. Americans also bought over

50 million dollars' worth of Japanese Government bonds.

■ In Australia, U.S. investment seems to be shifting. The flow of American capital has been rising steadily, reaching 200 millions in 1962. Most has gone into manufacturing.

Now, Australian officials predict a larger share of new investment will go into mining and petroleum, less into manufacturing. Their reasoning: More than 1,100 U.S. firms now operate in Australia. Most started during the last five years. Australia's limited market --population is less than 11 million-- may be saturated with present capacity in many industries. But Australia's natural resources are just being discovered. Union Oil and Kern County Land are bringing the first oil wells of any consequence into production.

More investment now is expected by U.S. firms in the search for oil. Cyprus Mines and Utah Construction & Mining are investing in iron-ore deposits. Australia had banned exports. New deposits are so large that the Government now will permit shipments. Japan will be a purchaser.

■ The discounted Canadian dollar is important in increasing sales and earnings of many U.S. companies that operate subsidiaries in Canada. Most of the benefits go to those firms that are heavily involved in export trade. The cheaper Canadian dollar makes prices lower in world markets.

Crown Zellerbach Canada, Ltd.--a paper and pulp producer--reported record sales and income for 1962. Sales were up 10 per cent; earnings jumped 39 per cent above the 1961 level.

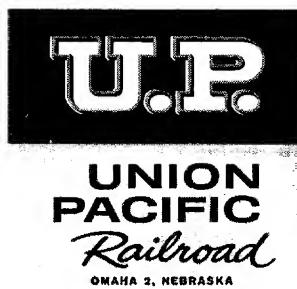
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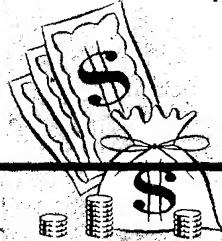
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IN YOUR PERSONAL PLANNING

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Under new changes in law and regulations, the Government plans to start collecting more income taxes on a widely overlooked source of income received by millions of people--interest on life insurance dividends.

INSURANCE DIVIDENDS. When you get a dividend on your life insurance policy it is, in effect, a return of part of your premiums and not taxable. But when you leave dividends with the company to accumulate, the interest that is credited to your policy is taxable. Many policyholders have assumed that the tax does not have to be paid until they actually receive the interest when cashing in a policy. However, the Treasury plans new regulations spelling out its position that interest is taxable when credited to a policy.

To be reported. A revision in tax law going into effect this year requires banks, corporations and other institutions to report to the Internal Revenue Service on all payments of \$10 or more in interest in a year. This also specifically provides that insurance companies must report all such amounts of interest on accumulated dividends, even though the interest is credited to the policyholder and not actually received by him.

Options. Insurance companies are asking holders of policies with accumulated dividends to furnish their Social Security numbers for use in reporting to IRS on amounts of interest credited on dividends. They also point out the options that policyholders have: They can let the present arrangement continue, withdraw accumulated dividends and take future ones in cash, use dividends to reduce and prepay premiums, or use dividends to buy more insurance.

Big total involved. Accumulated dividends for a typical policyholder are small but, all told, they amount to nearly 4 billion dollars--and interest on them runs well over 100 million a year. The new procedures are designed to make sure that proper income tax is paid on this interest--and that the tax is paid as it is credited to policyholders.

EXEMPTION. Where divorced parents share support of their children, the income tax exemptions go to the one providing more than half of the support no matter which parent keeps the children. A new decision of the U.S. Tax Court allows a father an exemption for an older daughter, and a mother an exemption

(over)

for a younger daughter, even though both lived with the mother. The father contributed more for the support of the older daughter than for the younger one, and this amounted to more than half of her support.

HEALTH RECORD. A recommendation that you keep a medical record on all members of your family comes from the American Medical Association. It should include, says the AMA, dates and findings of physical examinations, a list of serious illnesses, dates and reasons for stays in hospitals, and dates of all vaccinations. The record also should note any known allergies or sensitivities to drugs. Some people, for instance, react violently to penicillin.

GI POLICIES. Veterans who have permanent GI life insurance policies do not have to surrender them for cash in order to meet financial emergencies, the Veterans Administration points out. A veteran can borrow up to 94 per cent of the cash-surrender value of such a policy at an interest cost of 4 per cent a year. This would reduce the amount of protection but leave the policy in force. No loans are made on GI term policies, which have no cash value.

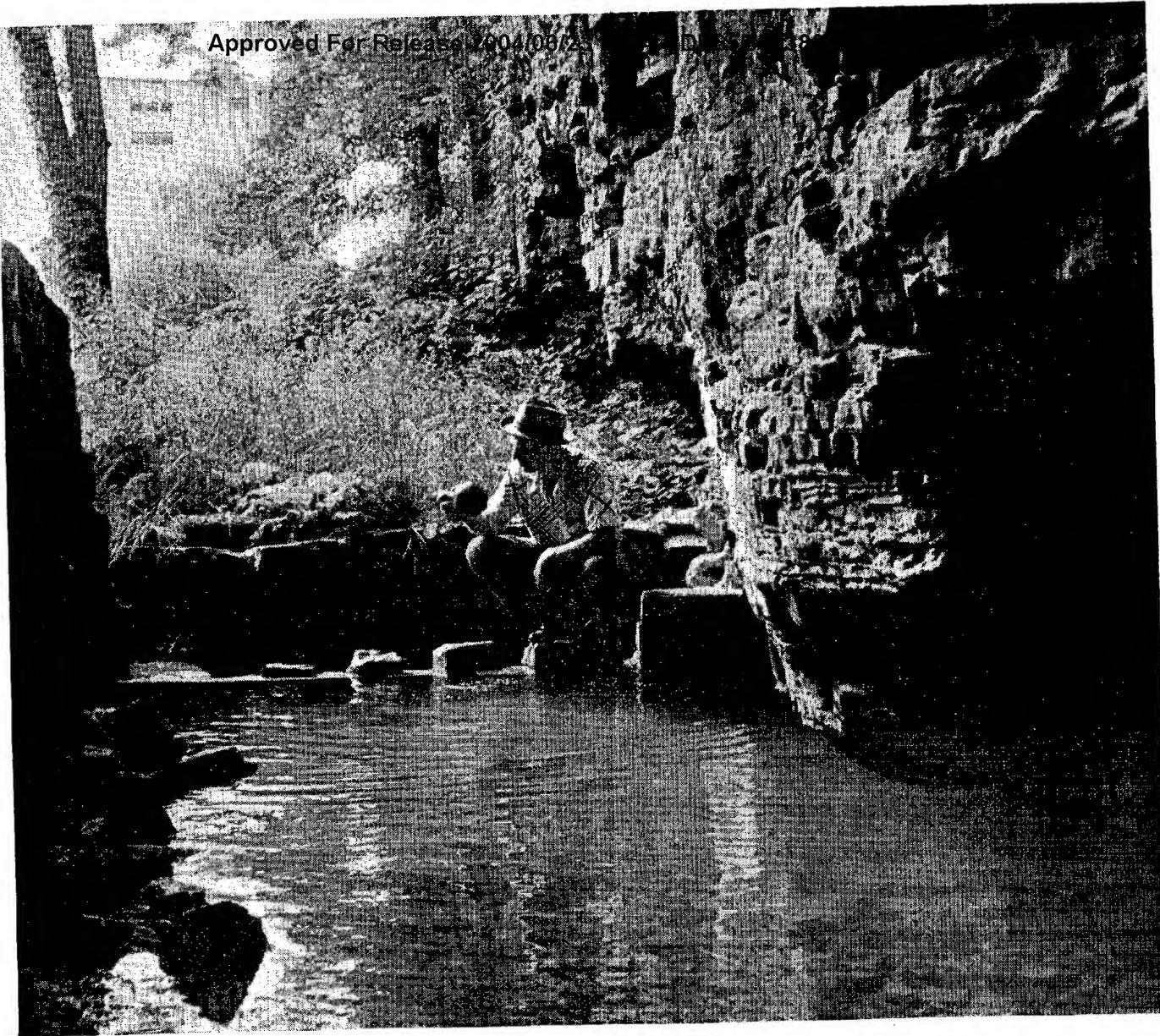
COST OF A HOME. One rule of thumb on the price you can afford to pay for a home is $2\frac{1}{2}$ times annual income, but Government mortgage authorities say that such guides are risky. Even at the same income level, they find that amounts families can safely spend on housing vary considerably because of other financial demands that have to be taken into account.

Guides used in approving applications for federally insured mortgages are outlined in a recently revised booklet available free from the Office of Public Information, Federal Housing Administration, Washington 25, D.C. Ask for: "Estimating Ability to Pay for a Home, FHA No. 201."

SOCIAL SECURITY. Many children too young to work are getting Social Security numbers under new provisions of tax law on reporting of interest and dividends. If a child has to have a number because of payments on stocks or a savings account in his name, the number is assigned by the Social Security Administration. This number also becomes the child's Social Security number for use in later years on the account entitling him to a retirement pension.

SALES TAX. District offices of the Internal Revenue Service once again this year are issuing guides on deductions for State sales taxes by taxpayers who lack records of exact amounts spent. A family in Arizona having an income of \$12,000 to \$13,000 can deduct \$192 for sales taxes, for example, without being questioned on the item. When you spend more in sales taxes than the table for your State indicates as a guide, you can deduct the actual amount. But you might be called on by IRS for records to back up your claim.

CHAIN LETTERS. The Treasury Department takes official notice of the reappearance of chain-letter schemes involving use of U.S. savings bonds, and warns that any use of the mails for such schemes violates federal lottery and fraud laws. The fraud aspect, says the Department, is that representations are made that you will reap substantial rewards by participating in such a scheme. "In the usual case," the Department adds, "the chain of gullible persons soon vanishes." Then you end up a loser instead of a winner.



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LABOR WEEK®

WHERE UNIONS HAVE HIT A ROADBLOCK

Workers in some industries are turning against the idea of being forced to join unions through the "union shop."

Latest opposition turns up at Lockheed, in the aerospace field. There is division, too, among newspaper strikers in Cleveland.

If it's a trend, union leaders have cause to wonder whether old contracts might be upset, once they are reopened.

Compulsory union membership suddenly has run into stiff resistance, not just from employers but from workers as well.

Employes of Lockheed Aircraft Corporation rejected the "union shop" on January 27, climaxing a series of defeats for aerospace "union shop" contracts.

Strong resistance to compulsory unionism developed, too, among employees of Cleveland newspapers, which were closed on November 29 by a strike, largely over the "union shop" issue.

There is concern among union leaders that opposition to compulsory unionism may spread to big industries that now have the "union shop" and to others in which it is a major union goal. Under the "union shop," workers do not have to be union members to get jobs, but must join within 30 days, or be fired.

Signs of the trend. These developments are back of the union fears:

- Lockheed workers accepted a pact without the "union shop," a major demand of the Machinists Union, whose national president is A. J. Hayes. Instead, the contract has an unusual provision under which Lockheed promised to send letters to new employees suggesting they consider joining the union.

- The Boeing Company, another big aerospace firm, has taken a strong stand against the "union shop" in other negotiations with the Machinists.

- In previous elections, workers at three other aerospace companies—General Dynamics, North American Aviation, and Ryan Aeronautical—rejected the "union shop" in elections conducted by the Government. The Machinists and United Auto Workers, as a result, had to settle without "union shop" contracts.

- In Cleveland, opposition to the "union shop" was evidenced when the Newspaper Guild unit at the "Plain Dealer" agreed to a "maintenance of membership" clause, which does not require workers to join the union but requires them, if they join voluntarily, to remain members as long as a contract is in effect.

- At the Cleveland "Press and News," members of the Guild unit voted to accept maintenance of membership, but in a later vote decided to press for a modified "union shop."

These developments in the aerospace and newspaper fields were viewed by many as signs that workers are turning away from compulsory unionism.

Move toward "voluntarism"? Of the Lockheed agreement, Reed Larson, executive vice president of the National Right to Work Committee, said this: The settlement is a "milestone for the growing nationwide movement toward voluntarism in union membership." He added that Lockheed's stand against the "union shop" "will greatly strengthen other employers to resist demands for compulsory unionism."

Union officials outside the aerospace industry said, in private talks, that the



C. S. GROSS



A. J. HAYES



—Lockheed Aircraft Corporation Photo

AT LOCKHEED, demand for a "union shop" fell through. Instead the company will send letters to new employees, suggesting that they "consider" union membership.

Lockheed settlement may hamper efforts to get "union shop" contracts in other fields.

The International Union of Electrical Workers, for example, has made the "union shop" a major demand in contract negotiations scheduled for later this year with General Electric Company. Defeats for the "union shop" in the aerospace industry were expected to stiffen GE's resistance to compulsory union membership for its employees.

An unusual solution. The Lockheed settlement is attracting widespread attention not only because of its omission of the "union shop" but because of the unusual way the issue was resolved.

In the offer which the Machinists accepted, Lockheed made this promise: "The company will address a letter, to be mutually agreed upon with the union, to new employees suggesting that they give consideration to joining the union."

"New employees," under terms of the contract, "will be introduced to the [union] shop stewards who shall, on company time, discuss with them the advantages of union membership."

The requirement of mutual agreement on wording of the letters was expected to keep out any strong statements on the union-membership question.

The letters are expected to get some new members for the Machinists, but the company won its fight against requiring workers to join. The Lockheed bargaining unit now has some 31,000 workers, 16,200 of them union members.

The letters will go to an estimated 5,000 to 6,000 new employees in the next year, taking account of the normal turnover.

The new contract continues the existing "maintenance of membership" clause, which does not affect workers who choose to remain outside the union.

On wages and "fringes," the contract, to run for three years, provides new benefits estimated by the union at 28.3 cents an hour for each worker.

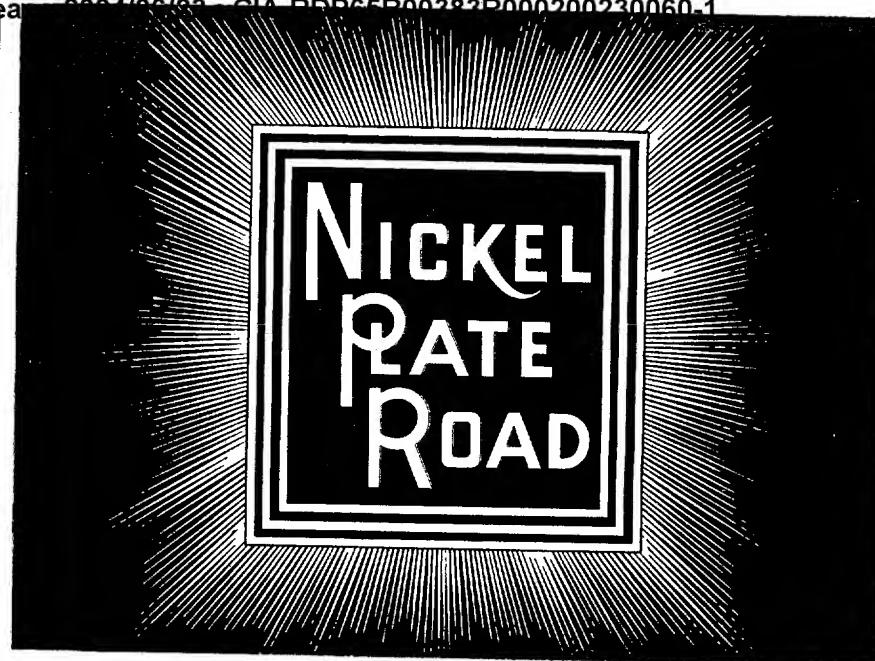
"Co-operation clauses." The contract extends promises of "co-operation" beyond union membership. There is to be a joint committee of union and company officials. It will meet every three months to talk over problems that arise in operations.

There will be a semiannual meeting at which the company will give union leaders reports on company finances, plans and problems.

Who won the long dispute? C. S. Gross, board chairman of Lockheed, called the settlement "a very good one . . . equitable for all concerned."

"Under its terms," Mr. Gross added, "our employees will receive wage and fringe benefits as good as those enjoyed by employees at any West Coast aero-

(continued on next page)



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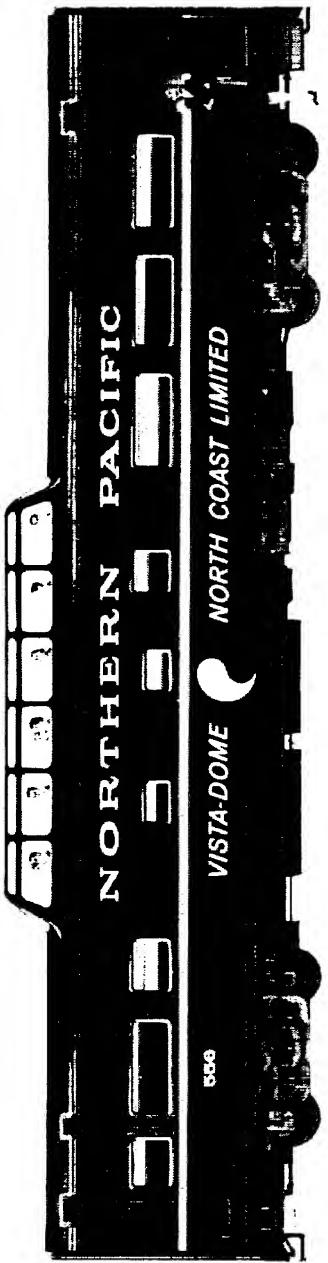
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Labor Week

[continued from preceding page]

... Lockheed outcome may influence Boeing talks

space company. Now we can all look forward to a long period of harmonious work and progress. . . ." Company spokesmen refrained from talk of "victory" on the "union shop" issue.

Union officials said the "co-operation clauses" were "something we have long wanted. . . . We feel the company is quite sincere in this approach." Many union men, however, made no attempt to conceal their disappointment over setbacks for the "union shop" at Lockheed and elsewhere.

The most immediate influence of the Lockheed settlement was expected to be on negotiations between Boeing and the Machinists Union. One comment that was heard: "This is a basis on which Boeing could settle."

How far the resistance to compulsory unionism will spread remains to be seen.

New Calls for Arbitration

CHICAGO

Support for compulsory arbitration of labor disputes now has come from employers in the railroad, trucking and airline industries.

Spokesmen for the railroads have, for some time, favored arbitration of their contract disputes.

Further support for binding arbitration was voiced at a meeting of the National Transportation Institute here in Chicago on January 30.

George A. Spater, executive vice president of American Airlines, said that, where labor and management fail to settle a dispute in transportation, the President "could direct that it be settled by the decision of outsiders."

John M. Akers, chairman of the industrial-relations committee of the American Trucking Associations, said this:

"One proposal which has received a great deal of attention within the trucking industry is compulsory arbitration. In fact, the American Trucking Association is on the public record as favoring the principle of compulsory arbitration. . . ."

Mr. Akers said there are reservations about compulsory arbitration, but "the mere fact that it is being considered seriously is highly indicative of the industry's state of mind."

(Another Labor Week article, p 91)



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A Wider Split in the AFL-CIO?

An organizing drive announced by Walter Reuther on January 31 is being interpreted as evidence of a widening split between the top two leaders of the AFL-CIO—Mr. Reuther, a vice president, and George Meany, president.

Mr. Reuther said the 59 unions in the AFL-CIO's industrial-union department, which he heads, plan to spend 4 million dollars in the next 18 months on the major recruiting campaign.

The aim, he said, is "to get the American labor movement off dead center" and get its membership total moving upward again.

Mr. Reuther said that there had been a "lack of will" at the top of AFL-CIO, in which he included himself.

A year-old dispute? The new organizing campaign, however, was taken as a slap at Mr. Meany, who has declined to move as rapidly as Mr. Reuther demanded in the past. An insider said the five areas now named as targets

had been proposed by Mr. Reuther as AFL-CIO targets a year ago.

Instead of a big campaign, Mr. Meany then decided on a drive in the Los Angeles area—an experiment that is now under way.

"Reuther wanted to do more than that," the labor-movement insider said. "So what he couldn't get from Meany he's now trying to do through the industrial-union department."

Targets for the recruiting are these five areas: greater Boston, greater Chicago, greater Philadelphia, South Carolina, and Houston-Dallas-Fort Worth. Mr. Reuther estimated that there are 1 million nonunion workers in those areas.

In addition, he said, there will be nationwide drives in furniture, wood and related fields; office, technical, professional and public employees; textiles; and Du Pont Company plants. School-teachers are to be a special target.

Trends in Labor

► **Arbitrator overruled.** The National Labor Relations Board ordered two workers rehired with back pay, reversing an arbitrator who had ruled the men were legally fired for violating a no-strike clause. Two members of the NLRB argued the board must uphold an arbitration award; three others held that the arbitrator had not considered a charge before NLRB—that the men were fired for union activity.

► **Hourly pay: \$3 and up.** A new Labor Department survey reported that the average union rate for building-trades workers now is \$3.98 an hour. Bricklayers average \$4.49; electricians, \$4.45; plumbers, \$4.36; plasterers, \$4.30; carpenters, \$4.08; painters, \$3.90; and laborers, \$3.07 an hour.

► **Shipping costs.** Higher labor costs that resulted from the settlement of the recent dock strike are expected to bring increases of 5 to 15 per cent in freight rates on some ocean routes. General cargo rates may go up on shipping for the Caribbean, South American and African routes.

► **Office workers' strike.** Picketing by 500 office employes closed a major U. S. space center near Las Vegas for two days. The walkout was ended at the request of a panel. Workers were protesting elimination of travel pay.

► **Railroad stoppage.** The Railway Trainmen's Union shut down the Monon Railroad in a strike over the firing of several workers. The employes were discharged for refusing to ride in private autos over public roads in connection with their duties. The union said using autos would deprive them of insurance protection.

► **Union wants less.** The Engineers and Architects Union said its proposed contract would cost less than one offered by General Dynamics Corporation. The union asked for an extra week's vacation each year, to spread jobs. The union said this would cost less than a pay raise of 3 per cent plus benefits that had been offered by management. General Dynamics said that it had to keep its settlements uniform.



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FINANCE WEEK®

WHAT INVESTMENT FUNDS ARE DOING WITH THEIR MONEY

Investment funds, a new study shows, have been doing some heavy switching in the stocks that they own.

Old favorites are being cleaned out. In their place, the funds have been loading up on "blue chips."

Mutual-fund shares, meanwhile, appear to have recovered little of the popularity they lost following the market slump in first half of 1962.

A sharp shift in investment tactics has been adopted by managers of the more than 20 billion dollars of savings now held in investment trusts.

The switch is to the cautious side, away from the popular, high-rise stocks of 1961 and early 1962.

This is revealed by a survey of 41 investment firms—mutual funds and closed-end funds—made by E. F. Hutton & Company, investment bankers.

In the final three months of 1962:

- The funds turned increasingly to well-known "blue chip" issues, and away from many of the "growth" stocks.

- "Cyclical" shares, which tend to rise and fall with the economy itself, were sold heavily.

- Foreign stocks, too, were more frequently sold than bought by the funds.

For a closer look at what the fund managers have been doing—

Popular stocks. Insurance and bank stocks were highly popular among fund managers in the quarter.

Ten of the 41 funds bought insurance shares, while only four sold these stocks. Insurance firms figuring in some of the large purchases were U. S. Fidelity & Guaranty, American Re-Insurance, and Transamerica Corporation.

Maryland Casualty and California-Western States Life were sold.

Six of the funds bought bank stocks. Four sold bank stocks, but three of the four bought other bank stocks in the same period.

The leading bank stock: Security First National, Los Angeles. Three funds

bought a total of 24,200 shares of that company. Others: Bank of America and Continental Illinois National Bank.

Autos. General Motors led the funds' popularity list. Five funds increased their holdings in GM by a total of 368,000 shares.

Ford Motor, in the same period, lost favor among the funds. Four funds sold a total of 97,000 shares of that stock.

Chemical shares, an earlier favorite, were marked for liquidation this time. While 24 funds were selling holdings of chemical shares, only seven were buying.

Allied Chemical was sold by five

funds while FMC Corporation was sold by four, with no funds adding to holdings of these two. Four funds sold Union Carbide and United Carbon, and three sold Hercules Powder.

Some chemical firms were bought, or at least held, by the funds. Examples: DuPont, Dow.

Oil shares. The trusts traded actively in petroleum shares in the quarter, both on the buy side and on the sell side.

Standard Oil (N. J.) and Socony Mobil were favorites. So were Royal Dutch, and Amerada.

(continued on next news page)

STOCKS THAT INVESTMENT FUNDS HAVE BEEN BUYING AND SELLING

Shares bought by the largest numbers of funds, fourth quarter, 1962—

- General Motors
- International Business Machines
- Royal Dutch Petroleum
- Socony Mobil Oil
- Standard Oil (N. J.)
- Amerada Petroleum
- Radio Corporation of America
- Security First National Bank, Los Angeles
- General Electric
- Smith Kline & French

Shares sold by the largest numbers of funds, fourth quarter, 1962—

- FMC Corporation
- Allied Chemical
- Ford Motor Company
- B. F. Goodrich
- Gulf States Utilities
- Halliburton Company
- National Cash Register
- Sears, Roebuck
- Union Carbide
- U. S. Steel

Source: a survey of 41 large mutual funds by E. F. Hutton & Company, Inc., investment bankers

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[continued from page 92]

... Mutual funds took a beating in 1962

Selling of oil shares by the mutual funds centered on Gulf Oil, Halliburton, and Shell of Canada.

Aircraft and missile stocks, high favorites earlier, had lost most of their appeal to fund managers. Only Lockheed was bought, on balance, by more than one fund in the quarter.

In communications, the funds bought American Telephone & Telegraph and General Telephone & Electronics, and sold International Telephone & Telegraph.

Selling of steel shares was general. Four of the funds sold U. S. Steel and cleaned that issue out of their portfolios. Three treated Armco Steel the same way. Holdings of Republic Steel were cleaned out by two funds and lightened by another.

The funds also continued to get rid of their shares in agricultural equipment, rubber, finance companies, the metals-and-mining group, and the machinery-and-equipment group.

Fund managers found more attraction in railroad stocks than they had found earlier, but still sold more of those shares than they bought.

Fund shares. Rising stock prices swelled the market value of the funds' own portfolios during the fourth quarter of 1962. Nearly every fund reported a rise in net asset value per share.

For 1962 as a whole, however, the funds took a beating. To see what a year of plunging, then rising, stock prices did, take a look at the total assets of mutual funds.

From the end of 1961 to the end of 1962, those assets dropped from nearly 22.8 billion dollars to about 21.3 billion—or by 6.7 per cent.

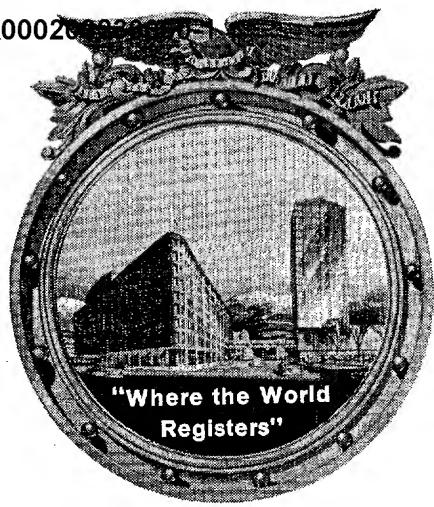
But note: If full allowance is made for the nearly 1.6 billion dollars of new money poured into the funds by investors during the year, the decline in assets amounted to about 13.5 per cent. In the same period, Standard & Poor's index of 500 stocks declined 11.8 per cent.

The mutual funds, moreover, ended the year without any sign that they were about to recover the popularity they had lost in 1962.

To illustrate: In the first quarter of 1962, investors had bought 640 million dollars more of mutual-fund shares than they had cashed in.

Net sales fell to 451 million dollars in the second quarter, and to 260 million in the third. The fourth-quarter net, at 225 million, was the lowest of the year.

(Another *Finance Week* article, p. 95)



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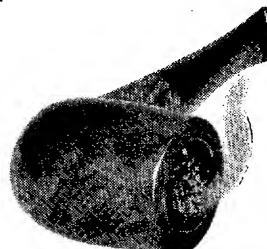
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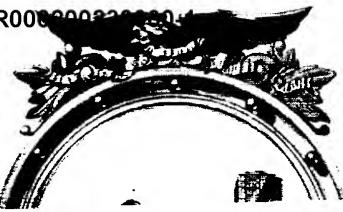
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can arrange cost-free placement of funds

[continued from page 92]

... Mutual funds took
a beating in 1962



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Finance Week [continued from preceding page]

... Small down payments led to higher foreclosure rate

lowed by foreclosures—rose from 4,828 in the first half of 1948 to 41,190 in the first half of 1962. Yet this meant only a rise of defaults from about one half of 1 per cent of mortgage insurance outstanding to 1.2 per cent.

Actual foreclosures, at only 29 in the first half of 1948, numbered 16,700—or little more than one half of 1 per cent of the insurance outstanding—in the first half of 1962.

"A very high proportion" of homes taken over recently by FHA have been bought in the past few years. Of homes acquired by FHA in the nine months ended March 31, 1962, more than a third had been bought in 1959, and 88 per cent had been bought after 1957.

End of inflation. An end to inflation in home prices is blamed for much of the rise in foreclosures. In earlier years, when a buyer "ran into difficulties, lost his job, or was transferred out of town, he could usually bail out of

the mortgage obligation . . . and frequently could do so at a profit."

Now, home buyers who cannot meet payments, or who must sell, may have to sell at a loss. Many simply default.

Small down payments and long repayment periods also have encouraged mortgage delinquency. A home buyer who, in 1950, used FHA's most liberal terms to buy a \$15,000 home would pay off, in 15 years, nearly three fourths of the cost. Using today's most liberal terms, he would pay off only one third.

It is in these easy-credit purchases that foreclosures center. The rate at which FHA has taken over new homes bought with down payments of 3 to 4 per cent is seven times as high as the take-over rate on new homes with down payments of 10 to 14 per cent.

Other factors in the rise of mortgage delinquency: pockets of unemployment, closings of military bases or defense plants, slowdowns in community growth.

Trends in Finance

► **Savings bonds.** New purchases of savings bonds reported to the Treasury in January exceeded half a billion dollars for the first time in any January since 1956. And preliminary figures indicated that, for the first month since November, 1961, people had bought more of savings bonds than they had cashed in. Officials called the reports "very gratifying."

► **Treasury offering.** The Treasury disclosed January 29 that insurance firms were the big buyers of the first bonds ever offered by the Treasury at competitive bidding. Of 250 million dollars' worth sold January 8, insurance companies took 52 million, commercial banks and State and local pension funds each bought 47 million, and dealers and brokers took 39 million.

► **Big refinancing.** Plans for refinancing 9.5 billion dollars of debt coming due February 15 were announced by the Treasury January 30. Holders of the maturing debt were offered a choice of a one-year certificate paying 3½ per cent, or a

3½ per cent bond maturing Aug. 15, 1968. Officials also said the Treasury, early in April, is likely to announce an offer of long-term bonds at competitive bidding.

► **Tax-exempt bonds.** Illinois plans to offer 150 million dollars in bonds March 12. A New Jersey offer of 58 million in bonds is set for February 19. On May 28, Los Angeles voters will decide on a proposed sale of 137.5 million dollars in school bonds.

► **School bonds.** More than 2.4 billion dollars in new issues of public-school bonds were sold in 1962. The total, the Investment Bankers Association notes, was second only to the record 2.5 billion of 1961.

► **Money supply.** The country's money supply, after seasonal adjustments, rose by 1 billion dollars in the first half of January, from late December. At 149.3 billion, the total was at a record high. Savings deposits and other "time" deposits in commercial banks rose by 700 million dollars to 98.6 billion.

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Government Plan To Save Silver

An end to silver backing for \$1 bills has been asked by Treasury Secretary Douglas Dillon. He told the House Banking Committee on January 29 that the Silver Act should be repealed.

The Act requires the Treasury to stand ready to buy new domestic silver at 90.5 cents an ounce. Since silver is in short supply and selling at \$1.25 an ounce, he said, the Act is "thoroughly out of date."

More importantly, Mr. Dillon wants \$1 bills to be issued in the form of Federal Reserve notes, as larger bills now are. All \$1 bills now are silver certificates that must be backed up, dollar for dollar, with silver. If Reserve notes can be issued instead, he noted, 1.6 billion ounces in scarce silver will be freed for minting coins.

The Government already is replacing \$5 and \$10 silver certificates with Reserve notes.

The demand for coins is rising steadily. Vending machines, space projects, jewelers and many industries are using more and more silver.

Mr. Dillon warned that failure to release silver by issuing \$1 Reserve notes could mean a severe shortage of silver for coins within a few years.

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FHA Defaults Cause No Alarm

An official study of the rise in mortgage foreclosures in recent years has disclosed "no cause for alarm."

That is the view of Neal J. Hardy, Commissioner of the Federal Housing Administration, who said the rise is the natural result of a return to more-normal conditions in the housing market, coupled with easier credit terms.

Mr. Hardy noted that the rates at which FHA has been forced to take over foreclosed homes, "though greater than in the past, are not beyond the assumptions on which FHA reserves are based."

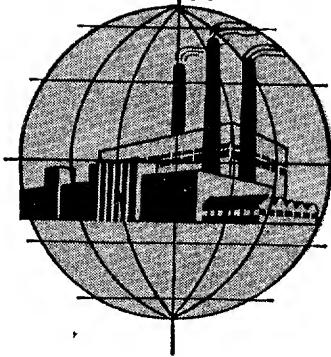
The FHA fund, he said, can go on at recent rates of foreclosure "for an extended period of time without endangering the capacity of the fund to absorb further losses of the magnitude which might be involved even in a major real estate depression."

Some other findings:

Defaults on mortgages—some fol-
(continued on next page)

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Business Around the World

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»» Among the casualties as Britain was blocked out of the Common Market-- Investment proposals on plant and equipment all through Western Europe went into a deep freeze. Management didn't know what to think might happen next. The better part of valor was clearly to put off decisions, wait and see.

Market potentials look very different, if Britain and Scandinavia are to be left outside the Common Market. Very different not only to Europeans but to interested Americans as well.

Where to put your new plant? Where to expand present output? What about the possible shock to European business confidence after the Brussels turndown?

The European boom for months has been relying heavily on consumer spending, not on big, new capital investment in most industries. For this reason, few look for European business to go into a sudden tailspin.

»» In all the confusion in Europe, American companies are having to consider and assess new factors, pointed up--again--by France.

The French, worried by sizable U.S. private investment in their country, are seeking means of slowing down the inflow of American capital and influence.

The De Gaulle Government sought help from other Common Market countries.

But this support wasn't immediately forthcoming. So, the French threatened to go it alone and curb American investment in their own country, at least.

This type of anti-Americanism boiled up in a great froth when Chrysler recently took over control of Simca, a French auto manufacturer.

The Chrysler decision, long in the works, was made before De Gaulle moved to block British entry into the Common Market. Chrysler wanted to be sure of a strong position in the burgeoning car market of Western Europe.

»» The Chrysler-Simca deal touched a very tender nerve in the auto world.

Several European auto makers, including Renault and Fiat, are quite sure that their industry is rapidly heading into overcapacity and a battle royal for markets. In a recent report, economic analysts in the Common Market agree.

Both General Motors and Ford are busily expanding their plant capacity in Europe--especially in Germany and Britain.

Now the last of Detroit's Big Three throws down the gauntlet.

Both GM and Ford in Europe, having a strong position in the middle-sized-car field, are moving into the smaller-car field as well.

Purely European manufacturers are running scared. They fear the vast financial strength of the U.S. juggernauts, as well as their merchandising ability. Of the 40 European makers, only perhaps 20 will survive this decade. That's the opinion of Giovanni Agnelli, head of Fiat.

»» Already the American auto makers have a big share of the European market. Ford is Europe's second-largest producer, after Volkswagen. GM seems to be in fourth position between Fiat and Renault.

Fiat has completely dominated the Italian market, but now Ford is making a major bid in that area. Fiat is making a big push in Germany. GM, lately lagging a bit on the Continent, is now going after new business aggressively.

Clearly, a dogfight is in the making. And now Chrysler comes along to put new sinews into Simca, with its modern plants and already-Americanized approach.

Detroit obviously doesn't agree with the Europeans on coming overcapacity. Detroit sees enormous expansion ahead in automobile-conscious Europe.

»» But Detroit has not yet had to contend with General de Gaulle.

The French press has been drumming on the dangers to French industry if foreign capital--read American--dominates in important sectors.

De Gaulle's Government has a fine boom going in France, but wants to continue to control its expansion and progress through national planning.

If big U.S. concerns dominate certain industries, investment and other decisions will be made in America, not in France. So say the Gaullists.

So, the Simca deal makes them nervous. Also, Libby, McNeill & Libby is moving into the food-processing business in France in a big way.

Likelihood is that the French Government will slap some sort of control on foreign investment. Perhaps foreigners will be allowed to buy only shares without voting rights in their French enterprises.

What will be done about the 500 American-owned subsidiaries and affiliates already established in France isn't known yet.

The current hiatus in investment planning, due to the British debacle, will give the French time to devise some new forms of protectionism.

Don't rule out the later possibility that other European countries will also impose some kind of control on foreign investment.

»» Meanwhile, Ford is looking around for other likely spots abroad....

Henry Ford II in mid-January startled the Brazilian President by telling him that Ford plans to invest 35 million dollars in Brazil.

President João Goulart isn't used to good news such as this. Most U.S. and other foreign firms have been fighting shy of new investments in Brazil.

The investment climate in Brazil has been greatly clouded by economic and political instability, roaring inflation, growing Brazilian nationalism, curbs on profit remittances abroad and expropriations of foreign firms.

»» Ford is also expanding its setup in South Africa....

Several other U.S. firms are opening new branches in South Africa.

Investment in South Africa is being encouraged by the Government's offer of a 60 per cent depreciation write-off in the first year.

Also, business conditions in South Africa improved a good deal last year. Retail buying has been heavy. Gold output is rising.

Exports are stable. Imports, watched very closely, aren't far above exports. Gold and foreign-exchange reserves are large in relation to needs.

The South African Government, however, will not remove controls over capital exports. Fear is that there will be resumption of capital flight prompted by racial tensions. Investors there are betting against a bad blowup.

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It's a pretty pervasive fear. But let us tell you how many companies have come up with a double-barreled solution to it.

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They automated what is most often the biggest stumbling block in the path of increased productivity, whether in the office or the plant—the creation of basic business documents. Sales orders, production orders, purchase orders, invoices, and all the load of paperwork that literally makes every business run.

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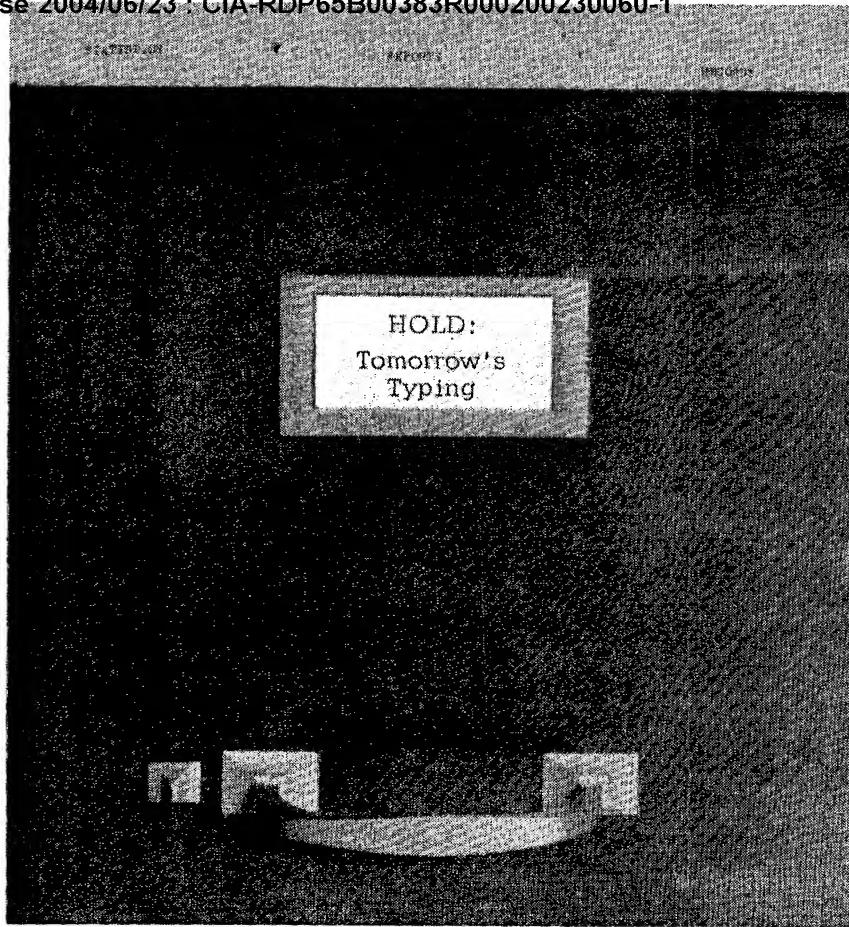
Productivity in every case soared—yet the initial automation equipment was so basic that it laid the groundwork for any degree of automation they wanted to achieve. It was so basic that it remains the foundation of their automation today. And it will in the future.

How To Move Gently Into Automation

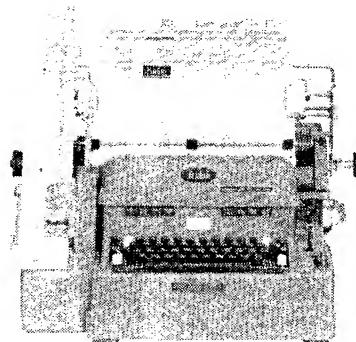
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NORMALCY

BY DAVID LAWRENCE

THE WORLD should not have been surprised when France vetoed Britain's entry into the European Common Market.

For again and again in history, members of those alliances which were formed in time of danger have turned in times of peace toward policies of self-interest and nationalism.

The basic idea of the European Common Market has been economic. It was started as a means of fostering trade and removing the obstacles to commerce that high tariffs bring. But the concept has been overplayed as an instrument of political union. Just how those peoples accustomed to exercise their own sovereign power were suddenly to forego these precious rights and, with eyes solely on materialistic goals, were to submit to a supergovernment has never been convincingly explained. Theory has run ahead of actuality and realism.

General de Gaulle is a realist. As the head of the French nation, he doesn't favor a political union covering several states in Europe. He recognizes, of course, the value of military alliances and doesn't minimize the Communist menace. He argues that, if every nation preserves its strength, the collective unit will organize itself and function in a military role when times get rough.

But the President of France was evidently not ready to make his country subject to a British veto within a European alliance that would seek to rule over political factors in modern life as well as trade.

So the trade problem will have to travel its accustomed route—constant pressure for reciprocal treatment and for a flexible means of negotiating at the bargaining table each generation's difficulties in international commerce.

We have in recent years been constantly exposed to the arguments of the school of thought that looks hopefully toward a one-world Utopia. Substantial progress in establishing necessary alliances on the military front has been misinterpreted as a willingness on the part of independent nations to give up their traditions, their patriotic prides and their satisfactions in self-government to embrace some new over-all formula of political consolidation. The United Nations adventure in meddling in internal affairs in the Congo is a symptom of these tendencies toward a superstate.

General de Gaulle has brought the European world to its senses on such political illusions. He does not close the door to the bilateral or multilateral agreements that could bring an expanding volume of trade. Too many of us have taken it for granted that Britain,

with her complex formula of trade preferences for her Commonwealth partners, would be accepted in the Common Market club and be given a veto that overnight could block the continental countries from making agreements with each other unless they catered to London's special interests and those of her historic allies in other parts of the world.

The United States obviously would like to do business with a single commercial unit in Europe. It seems easier than dealing separately with several countries. We have, of course, close relations with some of the former members of the British Empire, too. But the whole plan of union is out of tune with public opinion in many countries.

This is why General de Gaulle said, in effect: "Not so fast! These things take time."

We see here a natural assertion of nationalism.

But what of the common front against Communism? France is well aware of the need for military unity but feels she cannot entrust her safety to the decision of one man, 3,000 miles away, who could take a long time to ponder what to do in a nuclear crisis involving a Soviet threat inside Europe. The French note that the American President was out campaigning in domestic politics during four fateful days when Soviet missile bases were being set up in Cuba.

General de Gaulle pointedly refers, never, to a "web of liaisons" that could develop at a critical time of decision. He would like to have a military deterrent of his own which, when joined with other continental powers, could be instantly put into operation. This is what the North Atlantic Treaty Organization was supposed to do. The French President is not opposed to NATO, but he wants the responsibility of each partner more clearly defined and a trigger provided for Europe itself. Yet he is willing, nevertheless, to negotiate a satisfactory agreement with NATO on defense.

The world doesn't feel so frightened nowadays as it relies on the nuclear stalemate. Neither the United States nor the Soviet Union wishes to commit suicide. So, while alliances are necessary, they are being put into proper perspective. The idea of a supranational state or supergovernment has, temporarily at least, been consigned to the realm of speculative theory.

We are back, therefore, on well-traveled roads. We shall not forget our alliances in two world wars, nor the importance of a solidarity of spirit at all times. It can always bring us together in a common cause. This is normalcy in the twentieth century.



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